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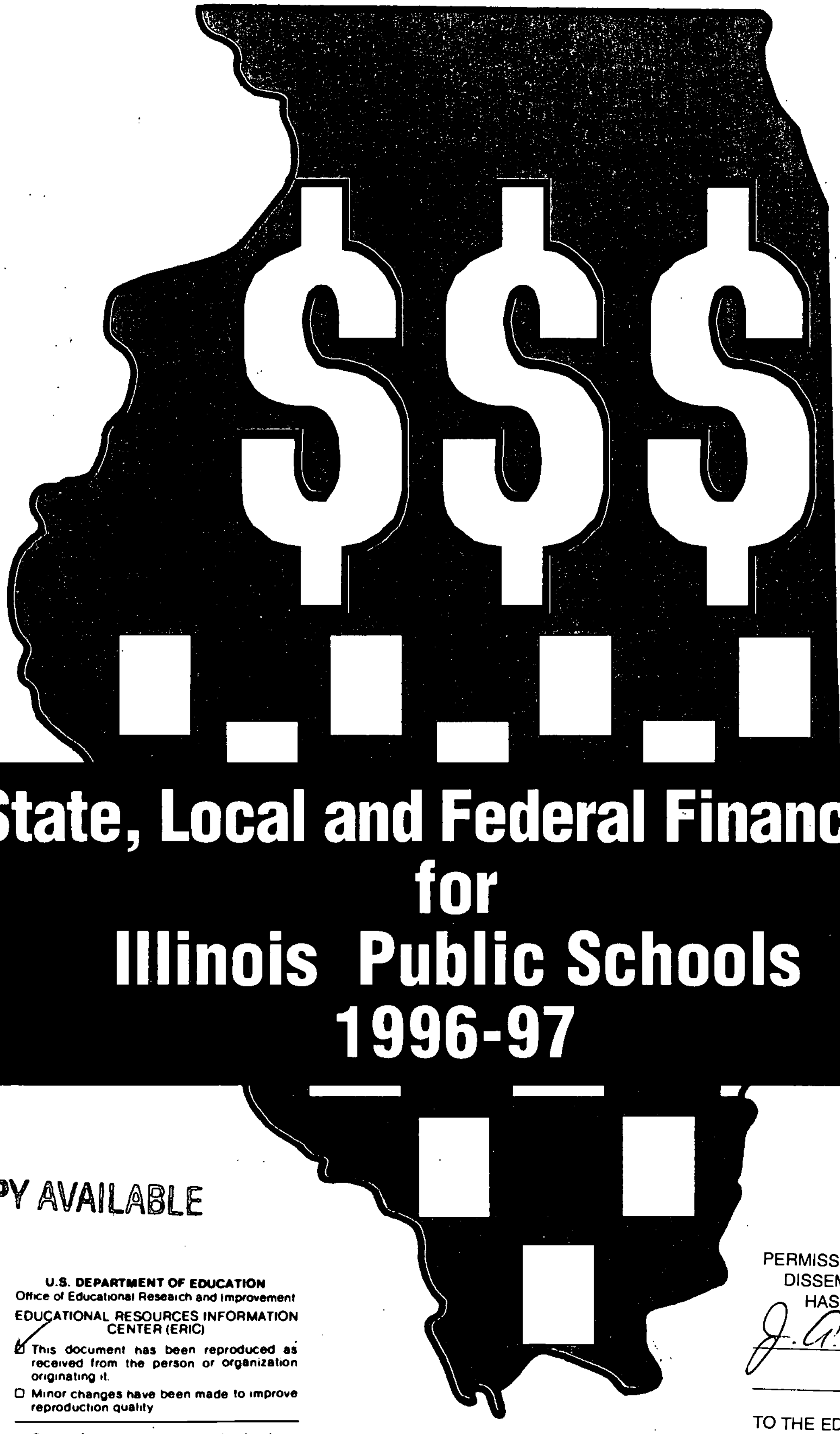
ABSTRACT

This publication provides information on the sources and amounts of funds available for prekindergarten through postsecondary education in Illinois common schools for 1996-97. The guidebook contains a summary of fiscal-year 1997 appropriations to the Illinois State Board of Education, as well as appropriations for educationally related purposes made to other state agencies. It provides information on the sources and uses of state revenues, sources of local revenues, school-reform legislation, and legislation that affects school financial management. Tax-rate limitations, interfund transfers, short- and long-term borrowing, and information on the required recording of district revenues and expenditures are also included. Data is organized in six parts concerning the following topics: Illinois' state education programs, federal education programs, recent state educational legislation, school-district reorganization, school-finance practices, and emerging issues in school finance. Eleven tables and seven figures are included. Appendices contain a selected bibliography, a glossary, a sample state-aid claim form, a figure depicting 1996-97 general state aid per weighted pupil, cost-rate computations, supplementary financial information, school funding principles adopted March 16, 1995, and descriptions of property taxes in Illinois. (LMI)

Illinois State Board of Education



State, Local and Federal Financing for Illinois Public Schools 1996-97

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April 1997

Louis Mervis, Chairperson
Illinois State Board of Education

Joseph A. Spagnolo
State Superintendent of Education

Foreword

State, Local, and Federal Financing for Illinois Public Schools, 1996-97 provides information on the sources and amounts of funds available for prekindergarten through post-secondary education in Illinois common schools. This publication contains a summary of Fiscal Year 1997 appropriations to the Illinois State Board of Education, as well as appropriations for educationally related purposes made to other state agencies.

Information is provided on the sources and uses of state revenues, sources of local revenues, school reform legislation, and legislation which affects school financial management. Tax-rate limitations, interfund transfers, short- and long-term borrowing, and information on the required recording of district revenues and expenditures are also included.

This publication is intended to serve as a source document for obtaining a basic understanding of Illinois school finance. It can serve as a discussion guide, an outline for individual and group analyses, and supplementary reading in school finance courses. Because much of the information in this document provides an abbreviated treatment of complex matters, further study is necessary for a complete understanding of school finance and program funding in Illinois schools. Included as appendices are a glossary, a school finance bibliography, a graph of general state aid distribution, and representative forms and computation sheets.

The information this year has been compiled by the State Board of Education, Center for Fiscal and Shared Services, with input and assistance from other centers within the State Board of Education and the Bureau of the Budget.

Joseph A. Spagnolo
State Superintendent
of Education

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OVERVIEW

Revenues for Illinois common schools for the 1996-97 school year (state Fiscal Year 1997) total an estimated $13,188.5 million. In Illinois, as in most other states, education is financed through a combination of state, local and federal monies. The state portion of these 1996-97 revenues is $4,304.6 million (32.64%), the local share is an estimated $7,730.9 million (58.62%), and the federal share is $1,153.0 million (8.74%).

State Funding

State revenues which support Illinois elementary and secondary schools are provided for a variety of legislatively established programs. The majority of the state support for schools (55.23%) is allotted through the General State Aid (GSA) formula. For Fiscal Year 1997, a total of $2.378 billion in General State Aid will be distributed to 905 school districts, the laboratory schools at Illinois State University and the University of Illinois, and 22 alternative schools. The amount provided to each school district varies with its relative wealth (as measured by property values), the number of students attending its schools, a measure of the incidence of poverty within its student population, and the local tax effort exerted by the school district (as measured by minimum qualifying property tax rates).

Other major state financial support for schools is in the form of categorical and special program grants and grants for school reform and improvement initiatives. State categorical grants provide funds for special education, transportation, vocational education, school lunches and breakfasts, bilingual education, textbooks, adult education, and gifted and remedial student programs. Reform and school improvement programs, most enacted in 1985, provide additional program grants for at-risk programs such as preschool education, elementary school reading programs and truancy and dropout prevention projects.

The state also provides the employer's (school district) contributions to the two pension systems in which Illinois elementary and secondary teachers participate. State appropriations for the Illinois Teachers' Retirement System and the Chicago Teachers' Pension and Retirement System totaled $449.2 million for Fiscal Year 1997.

Included in our listing of state support for education are state appropriations for educational purposes other than the operation of the common schools. Among the items included are capital projects funding, support for public and nonpublic school equipment purchases, and literacy program grants.

Local Funding

The primary source of local funding for Illinois schools is the local property tax. The estimates of local revenues in this publication are based upon the local real property tax authority of schools and the receipts of corporate personal property replacement taxes. Excluded from these estimates are proceeds from the sale of bonds, income from the sale of property or equipment, investment income, fees and assessments, revenues from food program sales, and other miscellaneous income such as impact fees from real estate developers.

Illinois real property values and related taxes are established on a calendar-year basis. Property assessments for the 1996 calendar year provide the basis for property tax revenues distributed in calendar year 1997. State-directed equalization factors (multiplier adjustments) are designed to assure equal valuation treatment across Illinois' 102 counties. Equalized Assessed Valuations (EAV) represent the taxable property base for schools as certified by the Illinois Department of Revenue.

The estimates for local property tax revenues for 1996-97 used in this publication are approximations of the property tax levies for the 1995 tax year. They represent tax extensions in 1996. This 1996 estimate of $7.289 billion is based upon the most recent four-year average increase. Actual property tax receipts to a district in 1996-97 will vary as a result of collection differences, local accounting practices and the tax rates adopted in December 1995.

The other major source of locally related revenue for schools is corporate personal property replacement tax (CPPRT) revenues. Until 1979, Illinois law allowed the taxation of the personal property of businesses. This revenue source was eliminated in 1979 and replaced with an alternative tax on Illinois businesses. The CPPRT imposes a state-collected tax on the net income of businesses (corporations, partnerships and trusts) and an invested capital tax on utilities. The proceeds of this tax are distributed to local taxing bodies in proportion to the relative share of personal property taxes received by these local taxing bodies prior to 1979. Collectively, public schools receive approximately 52 percent of the replacement revenues generated by the CPPRT. The remaining revenues are distributed to over 5,000 other units of local government.

The Illinois Department of Revenue reported that $422 million in CPPRT was distributed to local schools in the 1996 fiscal year. About $426 million in CPPRT will be distributed to local schools during the 1996 calendar year and about $439 million in Fiscal Year 1997.

Federal Funding

Federal financial support for the nation's schools is provided primarily through grants and reimbursements from the U.S. Department of Education and the U.S. Department of Agriculture made to state education agencies. Most federal financial aid is directed toward the support of students from low-income households or is limited to special programs or populations.

Virtually all federal support for schools in Illinois is granted to the Illinois State Board of Education (ISBE) and distributed, in turn, to local school districts. Just over $1,153 million for various federal programs has been appropriated by the Illinois General Assembly for the 1996-97 school year. Of this amount, approximately $1,119.2 million will be available to local education agencies, with the remainder appropriated to ISBE for the administration, monitoring, and program support services it provides directly.

The two largest federal funding sources are the Improving America's Schools Act, Title 1 (IASA) program ($339.5 million) and the U.S. Department of Agriculture's school food program ($320.6 million). Other significant federal funding is provided for special education ($279 million) and vocational education ($41.8 million).

The only significant federal funding provided directly to local schools in Illinois is Federal Impact Aid. This assistance, which offsets the loss of potential local property taxes attributable to federal use of property in a district, is estimated to be $10 million for the 1996-97 school year.

State Sources of Revenues

For Fiscal Year 1997, state revenues to all funds will total an estimated $29.4 billion. Major sources of state revenues are individual and corporate income taxes (approximately 23.51 percent of estimated total 1997 revenues), federal grants and reimbursements (28.09%), the Retailers Occupation and Use (sales) Tax (18.45%), motor fuel taxes and fees (6.40%), and gross proceeds of the Illinois State Lottery (3.10%). Taxes on alcohol, tobacco, parimutuel betting, real estate transfers and private car sales, along with various other fee, licensure and transaction proceeds, are included as part of total state revenues. The state also raises revenues from the sale of general obligation and other bonds.

Figure 1 depicts projected state revenues to all funds, by major source, for Fiscal Years 1996 and 1997. The percentages of revenues from these sources show a slight variance from Fiscal Year 1996. The percentages of revenue from the state sales tax, road taxes and fees, state lottery, bond proceeds, and the income tax decreased; the percentages of revenues from federal aid and all other sources of income increased.

State revenues and appropriations (spending authority) are accounted for by assignment to various fund groupings. The general funds, the largest fund grouping, constitute the majority of appropriation authority.

Funding for Illinois schools is provided primarily through the general funds grouping of the State of Illinois. This grouping includes the General Revenue Fund, the Common School Fund, the Education Assistance Fund, and the Common School Special Account Fund. Included in the revenue accounting of these general funds are the net proceeds from the Illinois State Lottery, which are deposited to the Common School Fund. The major sources of revenue to the state's general funds are the sales tax, the income tax, the public utilities tax, and net lottery proceeds. The lower portion of Figure 1 depicts, by source, the revenues of the state's general funds for Fiscal Year 1996 and an estimate of comparable revenues for Fiscal Year 1997.

As shown in Figure 1, the revenues of the general funds are projected to be $18.66 billion in Fiscal Year 1997, an increase of $724 million over Fiscal Year 1996. Sales taxes are projected at $5.423 billion for Fiscal Year 1997, an increase of $153 million over Fiscal Year 1996. Income taxes (corporate and individual) are projected to remain at $6.913 billion in Fiscal Year 1997, no increase over Fiscal Year 1996.

These projections of state income are based upon information provided by the Illinois Bureau of the Budget as of November 1996.

State Lottery Proceeds

The proceeds of the Illinois State Lottery represent a significant source of state revenues. Approximately 37 percent of sales of the state lottery become net revenue for the state. In Fiscal Year 1996 lottery sales of $1.637 billion generated approximately $594.1 million in net proceeds for state government. (A portion of the gross proceeds from the Lottery is used to make payments to prize winners.)

The Illinois State Lottery was enacted in 1973. The first lottery proceeds were available in Fiscal Year 1975. Until mid-1985 lottery proceeds were deposited to the state's General Revenue Fund. As a result, lottery proceeds benefited education and other state-operated programs and services. A 1985 change in state law provided that all net lottery proceeds be deposited to the Common School Fund.

As a result of this 1985 legislation, all net lottery proceeds are dedicated solely to elementary and secondary education. This fact, however, has become a source of public confusion. Many mistakenly believe that this shift in state accounting practices provided additional revenues to support education. This is not the case.

Prior to this 1985 change, a majority of spending from the Common School Fund was the result of transfers into the Common School Fund from the General Revenue Fund. With the 1985 change, the amount required from the General Revenue Fund to meet appropriations from the Common School Fund has been reduced by the available lottery proceeds. In short, this accounting change, while assuring that lottery proceeds are spent entirely on elementary and secondary education, has reduced reliance upon monies from the General Revenue Fund for education spending.

The $595 million in lottery proceeds expected for Fiscal Year 1997 does clearly assist the state in funding elementary and secondary education. Without this fourth largest source of state operating revenue, the ability of the state to meet its funding obligations to education would be diminished. Lottery revenues represent about 13.8 percent of the state revenues supporting elementary and secondary education.

Table 1 provides a comparison of net lottery proceeds to total appropriations for elementary and secondary education from Fiscal Year 1975 to Fiscal Year 1997.

As shown in Table 1, net lottery proceeds do not always increase each year. In Fiscal Years 1988, 1991, 1993 and 1994, the net lottery proceeds were less than in the prior fiscal year.

TABLE 1

Net Lottery Proceeds Compared to Total Appropriations for Elementary and Secondary Education ($ in millions)

Fiscal Year	Total Appropriations	Net Lottery Proceeds Amount	% of Total
1997	$4,304.59	$595.00[a]	13.82%
1996	3,994.81	594.10	14.87
1995	3,792.65	588.30	15.51
1994	3,611.50	552.10	15.29
1993	3,475.40	587.40	16.90
1992	3,433.90	610.00	17.76
1991	3,499.60	590.00	16.86
1990	3,487.50	594.00	17.03
1989	3,000.10	586.10	19.54
1988	2,866.40	524.41	18.30
1987	2,985.40	553.06	18.53
1986	2,767.90	551.79	19.94
1985[b]	2,427.90	502.83	20.71
1984	2,236.10	365.40	16.34
1983	2,103.20	216.30	10.28
1982	2,243.30	138.61	6.18
1981	2,328.10	90.35	3.88
1980	2,218.50	33.15	1.49
1979	2,128.90	32.63	1.53
1978	2,040.90	33.54	1.64
1977	2,000.60	43.63	2.18
1976	1,988.10	75.95	3.82
1975	1,631.00	55.19	3.38

[a] Estimate

[b] Beginning in FY 85, net lottery proceeds were deposited into the Common School Fund

Riverboat Gambling Act

The Riverboat Gambling Act (Senate Bill 572, Public Act 86-1029) became effective February 7, 1990. The Act imposes a "wagering tax" on the adjusted gross receipts received from ...bling games authorized under the Act at the rate of 20 percent. One-fourth of this tax revenue (subject to appropriation by the General Assembly) is paid to the unit of local government designated as the "home dock" of the riverboat.

The General Assembly may also make appropriations from this source of revenue to the Department of Revenue and the Department of State Police for the administration and enforcement of this Act. The balance of the funds generated by this source of revenue is paid into the Education Assistance Fund (EAF). Any fines or penalties collected pursuant to this Act are also deposited into the EAF.

Approximately $8 million was deposited into the EAF in Fiscal Year 1992, $54 million in Fiscal Year 1993, $118 million in Fiscal Year 1994, $170.8 million in Fiscal Year 1995, and $205 million in Fiscal Year 1996. Appropriations from the EAF may be for elementary and secondary education purposes (Section 18-19 of the School Code) or for higher education purposes.

Other School Fund Revenues

In addition to lottery proceeds, revenues to the Common School Fund come from a variety of other sources. One-fourth of the state share of revenues from the Retailers' Occupation and Use Tax (commonly referred to as the state sales tax) is deposited into the Common School Special Account Fund. Portions of the receipts from the Bingo Tax Act and the Cigarette Tax Act and of the revenues from the Telecommunications Act (interstate messages tax) are deposited to the Common School Fund.

Other sources of revenues earmarked for the Common School Fund exist, though most of these contribute only small amounts. An additional source of funding earmarked for school-related activity is derived from portions of drivers' license fees and license-related fines that are deposited into the Driver Education Fund to support drivers' education and safety programs.

Uses of State Revenues

Myriad programs and services are supported by the revenues and appropriations of the State of Illinois. In addition to direct and contracted services such as public assistance, mental health, corrections, and highway construction and maintenance, the state provides a wide range of grants and reimbursements to units of local government including school districts. The state also collects and distributes certain revenues on behalf of units of local government (local sales taxes and regional transportation taxes).

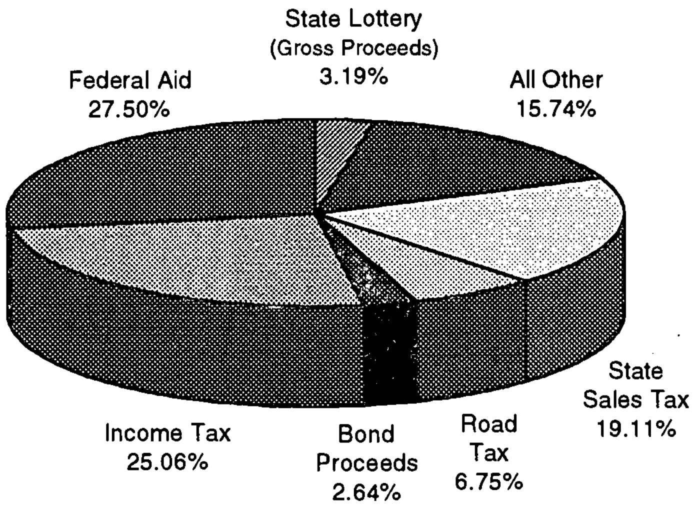
Across all funds, state government appropriations for spending in Fiscal Year 1997 total $34.045 billion, a decrease from Fiscal Year 1996 of $100 million or -0.29 percent. The Fiscal Year 1996 and Fiscal Year 1997 distributions of appropriations for all funds are shown in the left side portion of Figure 2.

FIGURE 1

Estimated Revenues by Source

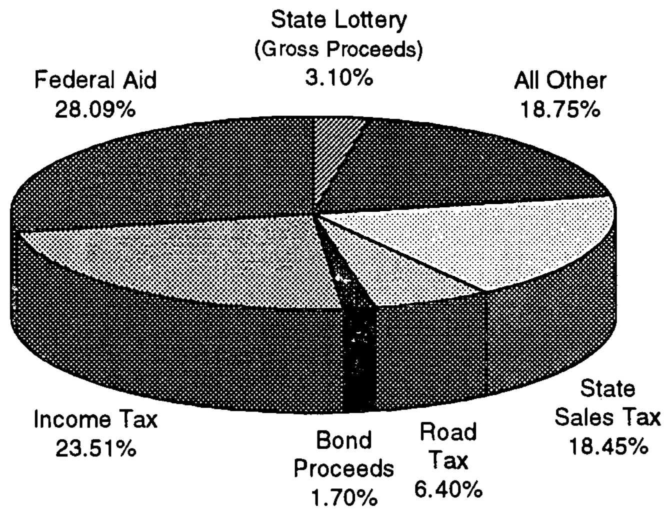
All Funds by Source

FISCAL YEAR 1996



TOTAL: $27.582 Billion (Actual)

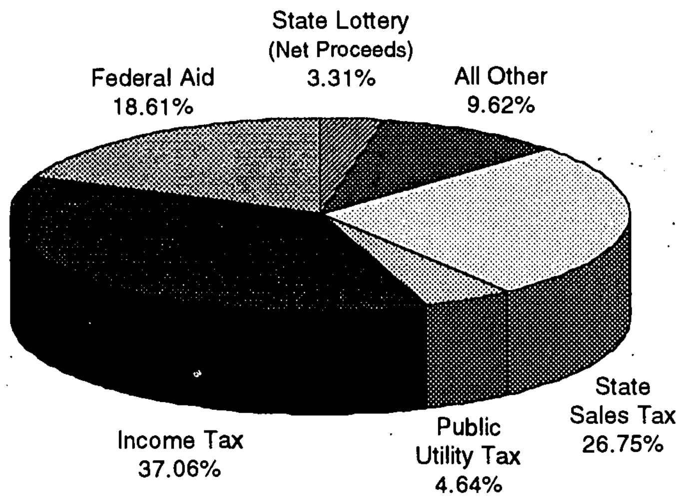
FISCAL YEAR 1997



TOTAL: $29.400 Billion (Estimated)

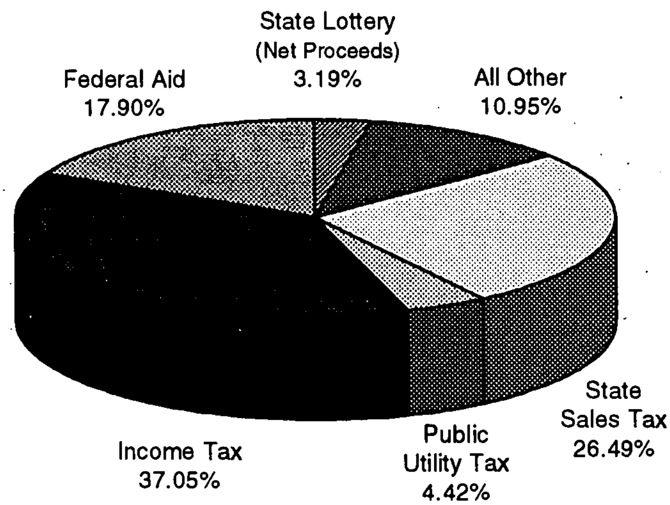
General Funds by Source

FISCAL YEAR 1996



TOTAL: $17.936 Billion (Actual)

FISCAL YEAR 1997



TOTAL: $18.660 Billion (Estimated)

Source: Estimates provided by Illinois Bureau of the Budget - November 1996

Approximately $8.27 billion, or 24.28 percent, of the total state Fiscal Year 1997 appropriations across all funds is for elementary and secondary and higher educational purposes. The total for elementary and secondary education is $5.387 billion, or approximately 15.82 percent of all state appropriations. This total includes federal education funds appropriated to the Illinois State Board of Education, as well as appropriations and reappropriations made to other state agencies.

The total (all funds) appropriations, reflected on the left side of Figure 2, support a wide variety of state government activities. A more traditional view of state government activities is represented by the operating budget of the state, reflecting the appropriations from the state's general funds. The right side of Figure 2 reflects appropriations from the general funds. In the main, the general funds are appropriated from the General Revenue Fund, the Common School Fund, and the Education Assistance Fund. Excluded from the general funds are the state's various capital building and transportation funds, activity associated with most debt service, certain state distributive aid, revolving funds and university income funds.

Figure 2 also provides comparative information on the appropriations from the state's general funds for various services. The Fiscal Year 1997 appropriation total of $17.193 billion for operating purposes represents an increase of some $647 million from the comparable Fiscal Year 1996 appropriations.

Since most education appropriations are from the state's general funds, education overall represents a larger share of the state's operating budget appropriations than of the total appropriations. Appropriations for all educational activity (higher education and common schools) are 35.73 percent of the General Funds appropriations for Fiscal Year 1997. Elementary and secondary education appropriations for Fiscal Year 1997 represent 24.28 percent of total general funds appropriations.

There are significant differences between the revenues shown in Figure 1 and appropriations as shown in Figure 2. These differences are largely attributable to interfund transfers and reappropriations.

Proportions of State, Local and Federal Education Funding

Table 2 depicts the support levels and the relative share of funding for public elementary and secondary education in Illinois for the past 20 years.

For most years, federal funding includes amounts unspent in prior years and reappropriated in the subsequent year. The state appropriation totals in Table 2 include certain projects and capital funds reappropriated from prior year(s). Additionally, state totals include amounts appropriated for educationally related purposes other than the operation of the common schools.

The local funds in Table 2 are further examined in Table 3. The local property tax figures in Table 3 represent approximations of available revenues. The figures in the third column are tax extensions--the product of equalized assessed property values times the total tax rate as set by each district. These figures represent accrued revenues generated from the total tax rate of each district. Actual local property tax receipts for a given school district can be affected by tax distribution delays, protested tax payments, property assessment appeals, and tax revenues not paid to school districts as a result of Enterprise Zones or Tax Increment Financing areas. (Most school districts in Illinois operate on a cash basis of accounting.)

For tax years 1976 through 1978, the amounts in the third column of Table 3 are the combined proceeds from corporate personal property taxes and real property taxes. Since 1979, with the abolition of the corporate personal property tax (CPPT), the state has collected the corporate personal property replacement tax (CPPRT) and distributed these tax revenues by formula to school districts. The CPPRT revenues from 1979 forward are reflected in the fourth column.

The fifth column of Table 3 shows other local revenues of school districts as reported to the Illinois State Board of Education. These revenues include the income derived from the sale of bonds (for years prior to 1987-88) or the sale of property or equipment, investment income, income from school food services, and revenue generated through fees and assessments. The most recent data available are for the 1994-95 school year.

Since most school districts operate on a cash accounting basis and receipts can be income generated from current or prior-year tax extensions, total revenues from local sources lack a degree of analytical comparability from year to year.

For comparative purposes, Table 2 calculates the relative share of state, local and federal funding, using the data in the last column of Table 3 as the local share. This figure excludes "Other Local Revenues," as these funds are not the product of taxation and are not comparable from an accounting perspective to the revenues from property taxes and corporate personal property replacement taxes.

A separate annual publication of the State Board of Education, *Illinois Public Schools Financial Statistics and Local Property Tax Data*, provides a more complete depiction of local revenues for all school districts.

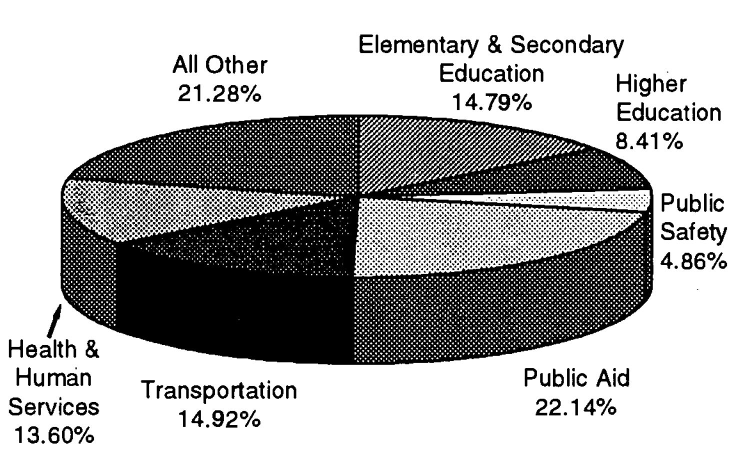
FIGURE 2

Appropriation Authority by Purpose

All Funds and General Funds - FY96 and FY97

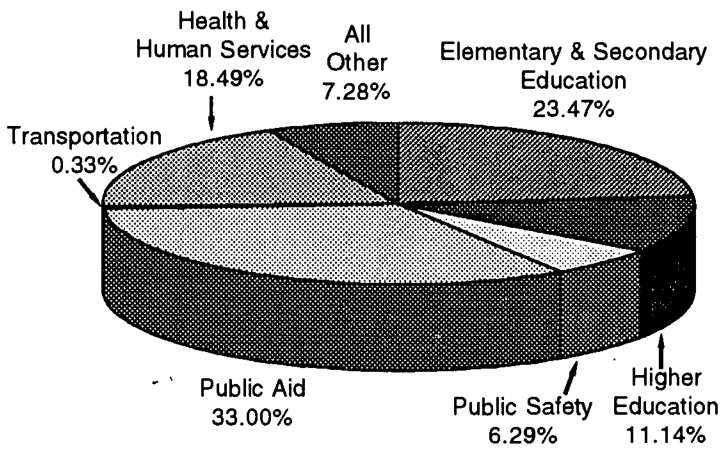
FY96

ALL APPROPRIATED FUNDS



TOTAL: $34.145 Billion

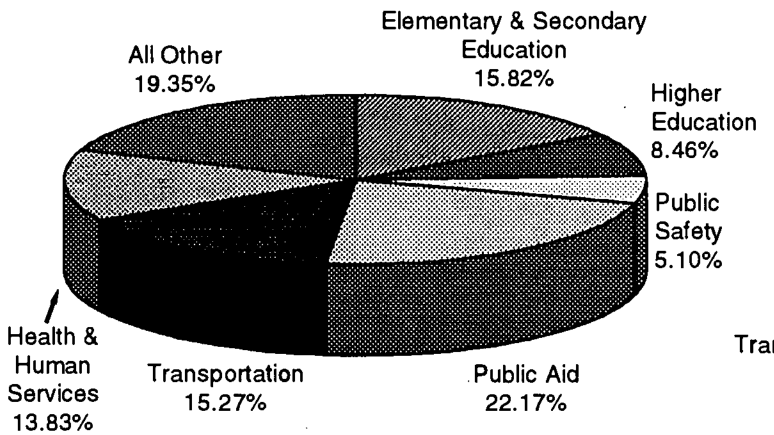
GENERAL FUNDS



TOTAL: $16.546 Billion

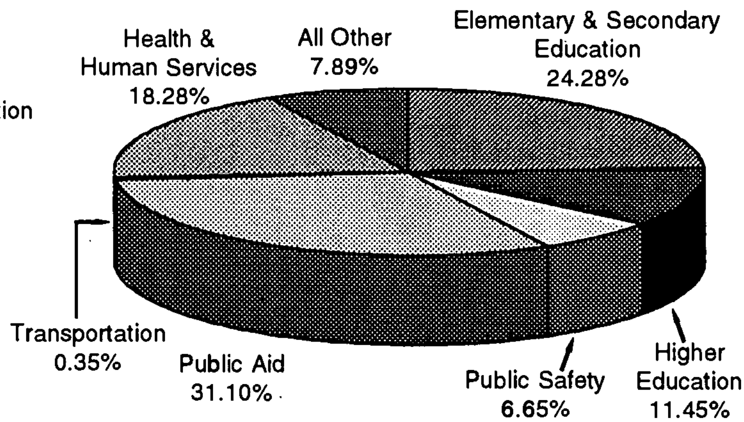
FY97

ALL APPROPRIATED FUNDS



TOTAL: $34.045 Billion

GENERAL FUNDS



TOTAL: $17.193 Billion

Source: Estimates provided by Illinois Bureau of the Budget - November 1996

TABLE 2

State, Local and Federal Receipts of Funds for the Common Schools
($ in millions)

Year*	State $	Percent State	Local $[a]	Percent Local	Federal $	Percent Federal	Total $
1996-97	$4,304.6[b]	32.64%	$7,730.9[c]	58.62%	$1,153.0[d]	8.74%	$13,188.5
1995-96	3,994.8	32.07	7,339.8	58.91	1,123.7[e]	9.02	12,458.3
1994-95	3,792.6	32.38	6,841.0	58.40	1,080.6	9.22	11,714.2
1993-94	3,611.5	32.94	6,453.4	58.85	901.0	8.21	10,965.9
1992-93	3,475.4	33.37	6,078.1	58.35	862.9	8.28	10,416.4
1991-92	3,433.9	35.21	5,555.8	56.97	762.5	7.82	9,752.2
1990-91	3,499.6	37.72	5,060.7	54.54	718.7	7.75	9,279.0
1989-90	3,487.5	39.35	4,709.5	53.13	666.8	7.52	8,863.8
1988-89	3,000.1	37.75	4,308.3	54.21	639.4	8.04	7,947.8
1987-88	2,866.4	38.97	3,910.7	53.16	579.2	7.87	7,356.3
1986-87	2,985.4	41.81	3,634.9	50.91	519.8	7.28	7,140.1
1985-86	2,767.9	41.04	3,481.3	51.62	494.8	7.34	6,744.0
1984-85	2,427.9	39.16	3,323.0	53.59	449.6	7.25	6,200.5
1983-84	2,236.1	38.15	3,182.9	54.30	442.4	7.55	5,861.4
1982-83	2,103.2	38.11	2,974.4	53.89	441.3	8.00	5,518.9
1981-82	2,243.3	40.15	2,844.9	50.91	499.6	8.94	5,587.8
1980-81	2,328.1	43.13	2,595.9	48.10	473.4	8.77	5,397.4
1979-80	2,218.5	42.34	2,485.0	47.43	536.3	10.23	5,239.8
1978-79	2,128.9	43.86	2,298.0	47.34	427.0	8.80	4,853.9
1977-78	2,040.9	44.32	2,134.0	46.35	429.8	9.33	4,604.7

[a] Includes local real property tax revenues as estimated by the total property tax extension of districts and corporate personal property replacement funds for the years 1980-81 through 1996-97. For prior years, the total includes real and personal property tax revenues. Not included as local revenue are proceeds from the sale of bonds, investment income, sales of fixed assets and equipment, sales of food, and fees. See the last column of Table 3.

[b] Appropriated amount, including reappropriations (see detail at the end of Part I).

[c] Estimate based upon most recent four-year average, plus estimated Corporate Personal Property Replacement Tax receipts beginning with 1980-1981.

[d] Appropriated amount, including reappropriations (see detailed table in Part II).

[e] Public Act 89-461, effective May 28, 1996, increased appropriations to the State Board of Education by $877,800 from federal funds.

* N.B. Fiscal years and school years overlap with local tax years. The state and federal funds shown are on a school-year basis (June 30 year-end). Local revenues reflect a calendar-year basis. For example, the 1996-97 year includes actual state and federal appropriations for state Fiscal Year 1997 and an estimation of local revenues accruing to school districts during calendar (collection) year 1996. Local property tax receipts for 1996 are a function of property assessments and tax rates for tax year 1995.

TABLE 3

Elementary and Secondary School Income from Local Sources ($ in millions)

Tax Year	Collection Year	Property Tax Revenues[a]	CPP Replacement Fund	Other Local Revenues[b]	Total Regular Revenues[c]
1995	1996	$7,288.9[d]	$442.0[e]	N/A	$7,730.9
1994	1995	6,914.0	425.8	926.3	7,339.8
1993	1994	6,476.9	364.1	773.8	6,841.0
1992	1993	6,109.1	344.3	606.8	6,453.4
1991	1992	5,773.6	304.5	670.5	6,078.1
1990	1991	5,253.2	302.6	669.9	5,555.8
1989	1990	4,738.4	322.3	661.4	5,060.7
1988	1989	4,361.9	347.6	590.5	4,709.5
1987	1988	3,968.9	339.4	575.2[f]	4,308.3
1986	1987	3,571.3	339.4	919.4	3,910.7
1985	1986	3,334.2	300.7	995.7	3,634.9
1984	1985	3,187	294.3	996.0	3,481.3
1983	1984	3,088	235.0	865.0	3,323.0
1982	1983	2,980	202.9	590.1	3,182.9
1981	1982	2,768	206.4	710.3	2,974.4
1980	1981	2,567	277.9	619.3	2,844.9
1979	1980	2,307	288.9	367.2	2,595.9
1978	1979	2,485	[g]	364.2	2,485.0
1977	1978	2,298	[g]	288.3	2,298.0
1976	1977	2,134	[g]	299.3	2,134.0

[a] For the tax years 1979 through 1995, this represents accrued revenue estimated from real property taxes only. For tax years prior to 1979, this represents estimated accrued revenue from real property taxes and corporate personal property taxes. Revenues are derived by multiplying the total tax rate times the applicable equalized assessed property base for the tax year.

[b] As reported to the State Board of Education by school districts on the Annual Financial Report. Information is not comparable to the local revenues reflected in the second and third columns. No data are available for the 1995-96 school year.

[c] For comparative purposes, only estimated local tax extensions and corporate replacement tax revenues are included.

[d] Based upon most recent four-year average increase.

[e] Estimated payments to be made by the Illinois Department of Revenue for calendar year 1996.

[f] This apparent sharp reduction in Other Local Revenues is due to a change in reporting. Bond proceeds and interfund transfers, recorded as local revenues in prior years, were recorded and reported as Other Financing Sources beginning with Fiscal Year 1988.

[g] Included in prior column for years prior to 1979.

TABLE 4

Operating Public School Districts by Type

School Year	Elementary Districts	Secondary Districts	Unit Districts	Total Districts[a]
1996-97	392	107	406	905[b]
1995-96	392	107	408	907
1994-95	395	110	410	915
1993-94	400	110	414	924
1992-93	406	111	415	932
1991-92	410	113	423	946
1990-91	415	114	424	953
1989-90	418	115	428	961
1988-89	422	117	433	972
1987-88	423	119	439	981
1986-87	428	122	443	993
1985-86	431	122	444	997
1984-85	433	124	448	1,005
1983-84	435	125	447	1,007
1982-83	435	125	448	1,008
1981-82	437	125	448	1,010
1980-81	438	125	448	1,011
1979-80	438	125	448	1,011
1978-79	438	125	448	1,011
1977-78	443	126	448	1,017

[a] Does not include five state-operated school systems (the Department of Corrections school district, two state laboratory schools, the Illinois Mathematics and Science Academy, and the Illinois Department of Rehabilitation state schools).

[b] Witt Community Unit School District 66 was annexed to Hillsboro Community Unit School District 3 effective December 4, 1996.

TABLE 5

Public and Nonpublic Pre-Kindergarten through Grade 12 Fall Pupil Enrollment[a]

Year	Public	Nonpublic	Total
1996-97[b]	1,974,388	325,500	2,299,888
1995-96	1,948,089	323,438	2,271,527
1994-95	1,920,289	320,290	2,240,579
1993-94	1,898,494	317,102	2,215,596
1992-93	1,877,785	315,995	2,193,780
1991-92	1,843,394	315,247	2,158,641
1990-91	1,816,182	318,625	2,134,807
1989-90	1,792,356	322,666	2,115,022
1988-89	1,790,566	328,280	2,118,846
1987-88	1,806,357	332,033	2,138,390
1986-87	1,819,392	339,680	2,159,072
1985-86	1,821,278	348,994	2,170,272
1984-85	1,829,619	352,079	2,181,698
1983-84	1,849,045	352,518	2,201,563
1982-83	1,875,770	353,412	2,229,182
1981-82	1,919,111	353,259	2,272,370
1980-81	1,979,545	353,622	2,333,167
1979-80	2,038,912	353,066	2,391,978
1978-79	2,106,239	353,152	2,459,391
1977-78	2,179,282	368,007	2,547,289

[a] Source: Fall Housing Report. Enrollment equals Pupils Housed minus Pupils Tuitioned In plus Pupils Tuitioned Out.

[b] Estimate based upon projections made by the Illinois State Board of Education for grades K-12. This estimate assumes the number of preschool students in both public and nonpublic settings will remain constant.

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TABLE 6

Illinois Public School Finance Statistics[a]

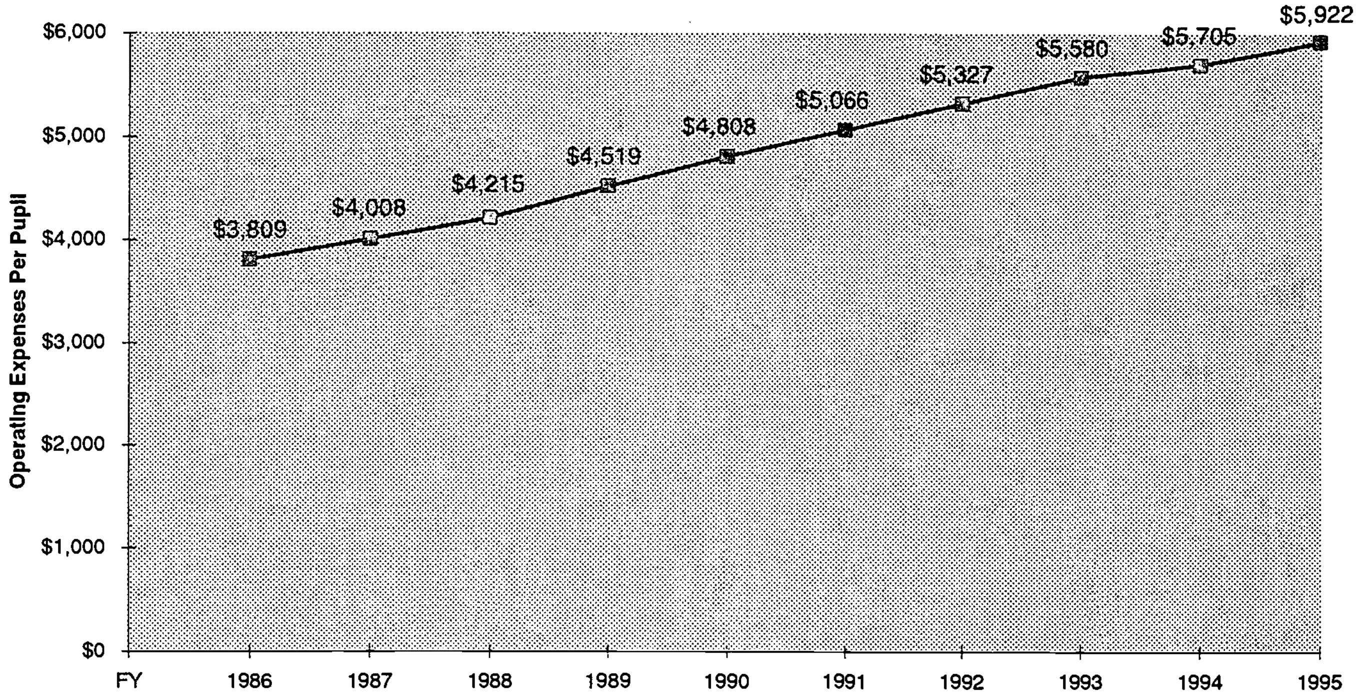
	District Type[b]	Per Capita Tuition Charge	Operating Expense Per Pupil
1994-95 AVERAGES	Elementary	$4,922.91	$5,463.93
	Secondary	8,091.40	8,695.81
	Unit	4,649.54	5,613.79
	ALL DISTRICTS	5,108.05	5,922.40
	Chicago SD 299	5,401.13	6,940.87
1993-94 AVERAGES	Elementary	$4,697.08	$5,263.64
	Secondary	8,030.63	8,663.31
	Unit	4,452.73	5,375.38
	ALL DISTRICTS	4,910.64	5,705.00
	Chicago SD 299	5,111.54	6,525.25
1992-93 AVERAGES	Elementary	$4,639.47	$5,128.61
	Secondary	7,979.09	8,518.44
	Unit	4,349.49	5,256.05
	ALL DISTRICTS	4,821.70	5,579.50
	Chicago SD 299	5,135.97	6,596.36
1991-92 AVERAGES	Elementary	$4,442.71	$4,926.96
	Secondary	7,685.76	8,254.25
	Unit	4,111.43	4,987.07
	ALL DISTRICTS	4,585.30	5,326.77
	Chicago SD 299	4,607.28	6,030.79
1990-91 AVERAGES	Elementary	$4,224.50	$4,679.05
	Secondary	7,279.62	7,826.10
	Unit	3,957.54	4,755.87
	ALL DISTRICTS	4,382.67	5,066.49
	Chicago SD 299	4,387.39	5,674.70

[a] *The Operating Expense per Pupil and Per Capita Tuition Charge rankings by district type for each district are included in Section III of the* Illinois Public Schools Financial Statistics and Local Property Tax Data, *a separate State Board of Education publication which is disseminated annually.*

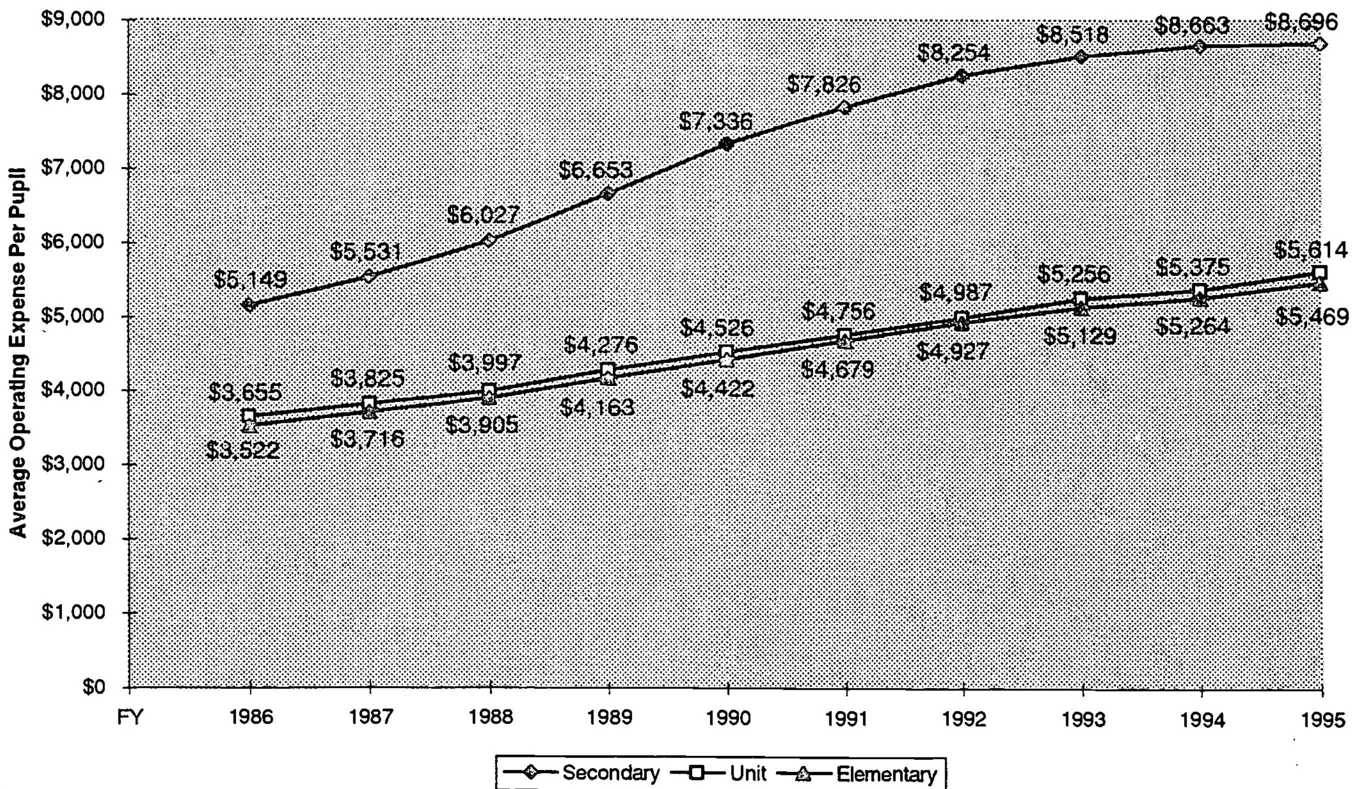
[b] Elementary School Districts: Pre-K—8
Secondary (High) School Districts: 9—12
Unit School Districts: Pre-K—12

FIGURE 3

State Average Operating Expense Per Pupil - FY86 to FY95



Average Operating Expense Per Pupil by Type of District - FY86 to FY95



"The Rest of the Story"

The education community is often reminded that we are the primary consumers of state and local tax dollars. We are also reminded that since Fiscal Year 1976 the state has increased spending by $2.32 billion, an increase of almost 117 percent. Spending from local property taxes and corporate personal property replacement taxes has increased by $5.874 billion, or 316 percent. Federal funding for elementary and secondary schools in Illinois has increased by $886.5 million, or 333 percent.

On May 8, 1988, the Illinois Association of School Boards issued Bulletin #265, IASB Legislative Report with the heading "The Rest of the Story."

"The Rest of the Story--Updated"
Amount
(Dollars in Millions)

Source of Funding	FY 76	FY 95	Increase $	Increase %
State	$1,988.1	$ 4,304.6	$2,316.5	116.52%
Local	1,856.8	7,730.9	5,874.1	316.36%
Federal	266.5	1,153.0	886.5	332.65%
Total	$4,111.4	$13,188.5	$9,077.1	220.78%

The sometimes unspoken, but increasingly more spoken question is, "What have you done with all that money and why do you want/need more?"

[N.B. The adjustments for inflation to express amounts in "constant (1976) dollars" were based on the implicit price deflators, state and local government, consumption expenditures and gross investment provided by the Bureau of Economic Analysis (BEA) of the Department of Commerce. In January of 1996, the BEA released its comprehensive revision of the National Income and Product Accounts. The most important changes were a shift in emphasis from fixed-weighted to chain-weighted measures of output and prices; a change in the base year from 1987 to 1992; a new treatment for government expenditures; and a change in the way depreciation on physical capital is estimated. These changes are far too complex to explain in a few paragraphs. All of the inflation factors used in the sections which follow—except for 1976 which remains at 1.00—have been changed. These changes have resulted in changes in the calculated constant (1976) dollars for each year since 1976 and in all related calculations.]

State Funding

Since Fiscal Year 1976, state funding for elementary and secondary education has increased from $1.99 billion to $4.30 billion. That appears to be a significant amount of growth. When adjusted for inflation since 1976, however, a very different picture emerges. The purchasing power of those dollars has dropped from $1.99 billion to $1.63 billion, a decrease of 18.18%. In other words, the $4.30 billion of state money appropriated for Fiscal Year 1997 will only purchase what $1.63 billion of state money could have purchased in 1976. (Figure 4)

Local Funding

During the same period of time, local funding for elementary and secondary education has increased from $1.86 billion to $7.73 billion, or slightly more than 316 percent. When applying the same adjustment for inflation as used above for state funding, the $7.73 billion in Fiscal Year 1997 can purchase what $2.94 billion could have purchased in 1976. In terms of constant (1976) dollars, spending from local sources increased by $1.08 billion, or 58.06 percent. (Figure 5)

Federal Funding

Between 1976 and 1997, federal funding has increased from $0.27 billion to $1.15 billion, or more than 332 percent. When adjusted for inflation, the $1.15 billion in 1997 can purchase what $0.44 billion could have purchased in 1976. In terms of constant (1976) dollars, this represents an increase from $0.27 billion to $0.44 billion, or 62.96 percent. (Figure 6)

Total Funding

Total funding for elementary and secondary education has increased from $4.11 billion in Fiscal Year 1976 to $13.19 billion in Fiscal Year 1997, an increase of about 221 percent. When adjusted for inflation, however, the increase (in terms of 1976 Constant Dollars) is only about $872 million, or 21.21 percent. (Figure 7)

"The Rest" of the Rest of the Story

The preceding information has been challenged as not telling the "entire story." Because pupil enrollment has been decreasing since Fiscal Year 1976 (School Year 1975-76) the appropriations per pupil have compensated for the apparent loss in constant (1976) dollars.

Table 7, State Appropriations per Pupil Enrolled, Current Dollars and Constant Dollars has been included in this publication for the third year.

In terms of current dollars, State appropriations per pupil went from $877.53 per pupil in Fiscal Year 1976 to $2,050.62 in Fiscal Year 1996, an increase of 133.68 percent, and to an estimated $2,180.22 per pupil in Fiscal Year 1997, an increase of 148.45 percent.

In terms of constant (1976) dollars, State appropriations per pupil have decreased from $877.53 in Fiscal Year 1976 to $796.36 in Fiscal Year 1996, a decrease of 9.25%. After Fiscal Year 1976, the State appropriation per pupil, in terms of constant dollars, (except in Fiscal Year 1979) decreased each year until Fiscal Year 1984 when a four-year period of increases began. From Fiscal Year 1988 through Fiscal Year 1996, there were four years of decreases and five years of increases. The estimated state appropriation per pupil (constant dollars) for 1997 is $823.89, a decrease of 6.11%.

In Fiscal Year 1990, State appropriations per pupil enrolled, in terms of constant dollars, exceeded the Fiscal Year 1976 amount by $9.15. In every year except one since Fiscal Year 1976, the State appropriation per pupil has been less than in Fiscal Year 1976.

Any questions should be directed to the Center for Fiscal and Shared Services, telephone 217/782-5256.

FIGURE 4

STATE FUNDING
Current Dollars vs. 1976 Constant Dollars
Elementary and Secondary Education

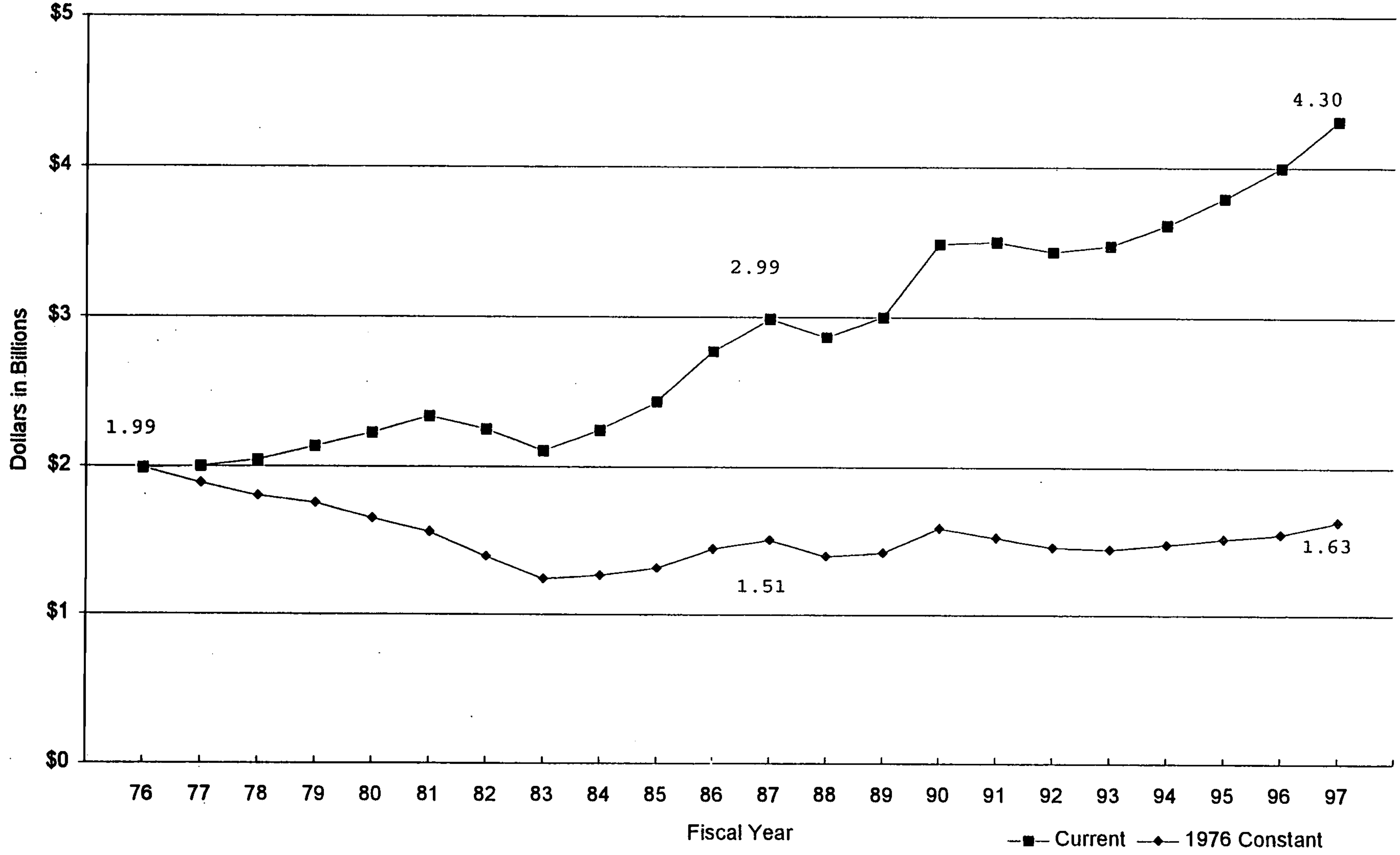


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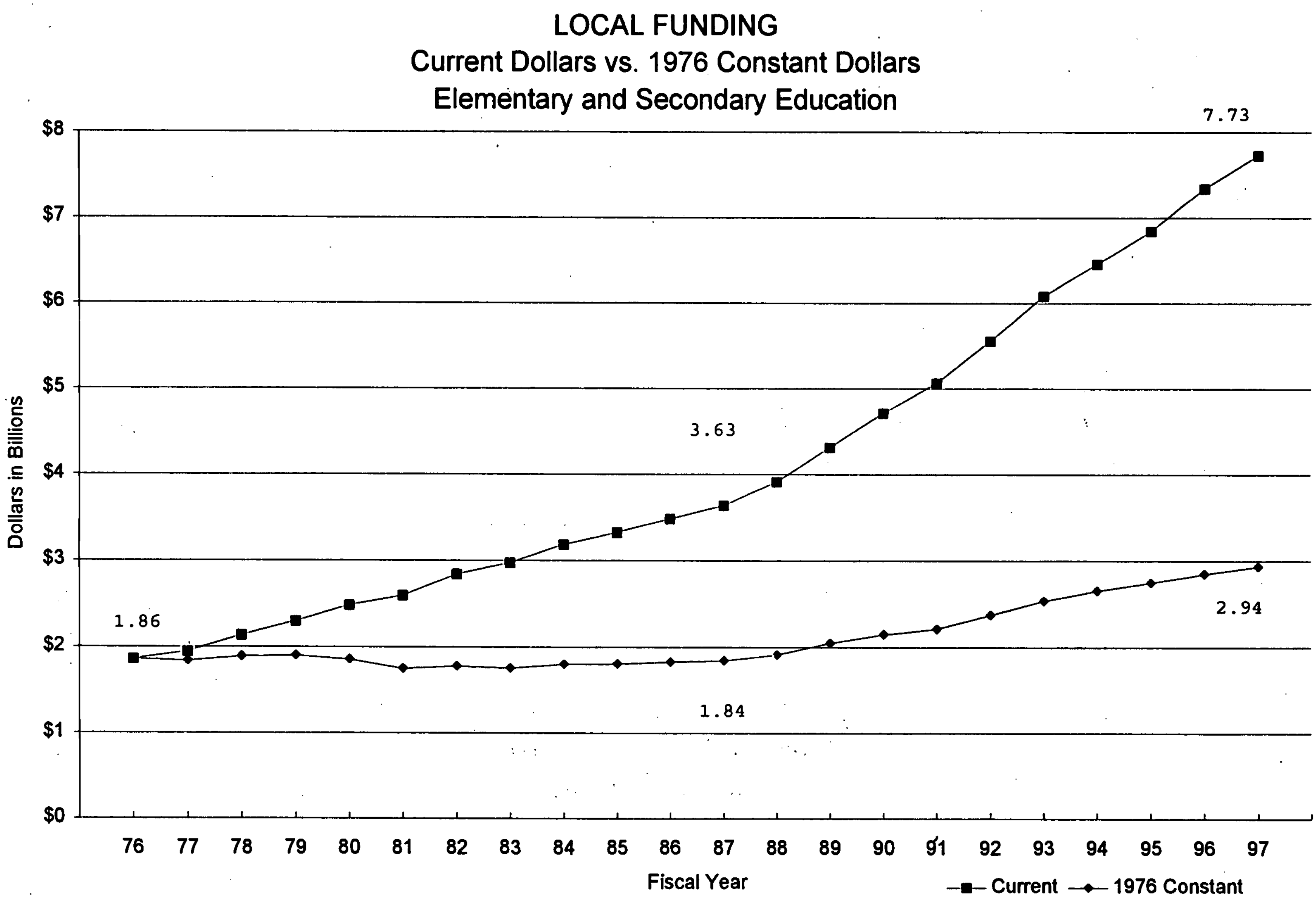
FIGURE 5


LOCAL FUNDING
Current Dollars vs. 1976 Constant Dollars
Elementary and Secondary Education
$8
$7
$6
$5
$4
$3
$2
$1
$0
Dollars in Billions
7.73
3.63
1.86
2.94
1.84
76
77
78
79
80
81
82
83
84
85
86
87
88
89
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91
92
93
94
95
96
97
Fiscal Year
Current
1976 Constant

FIGURE 6

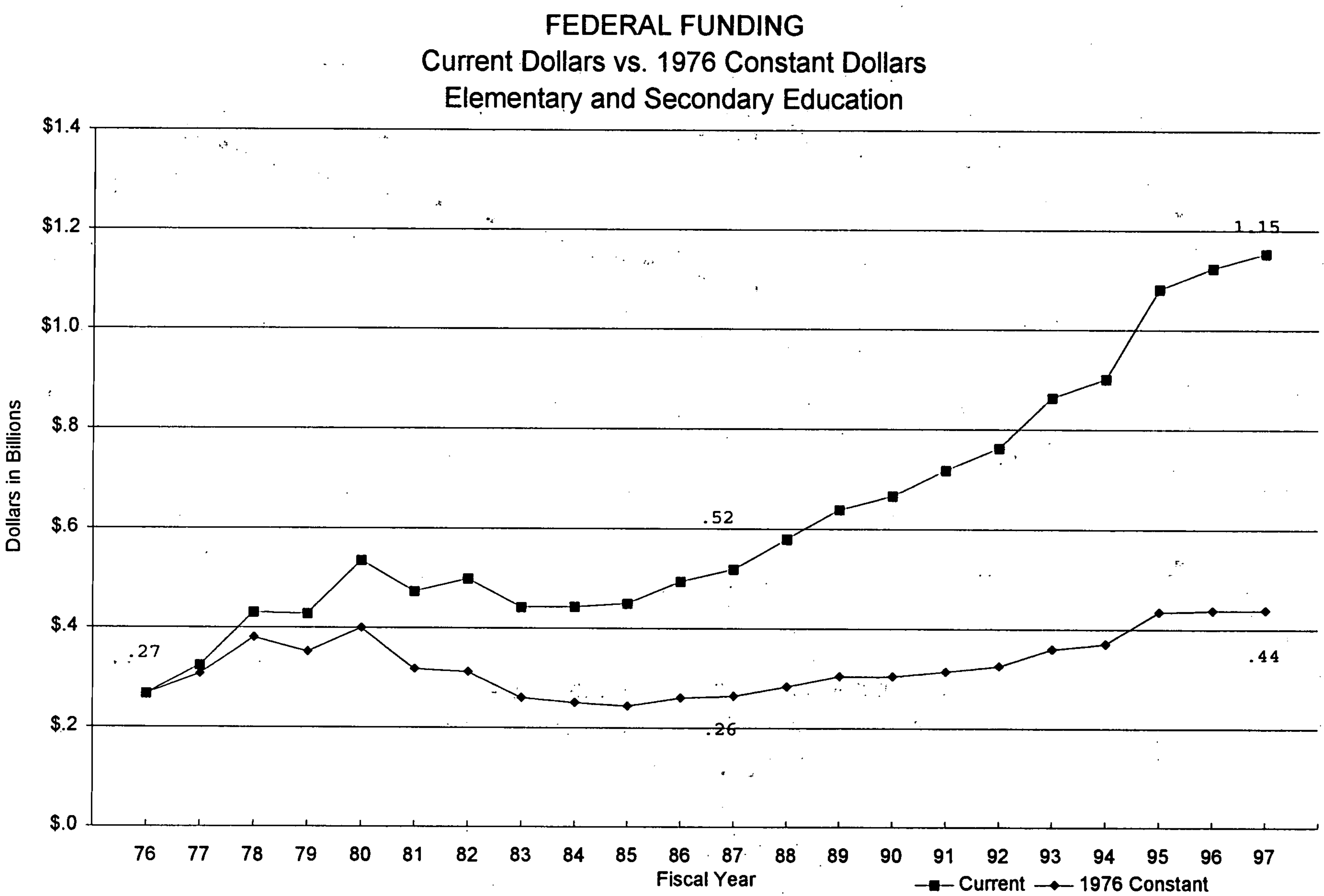

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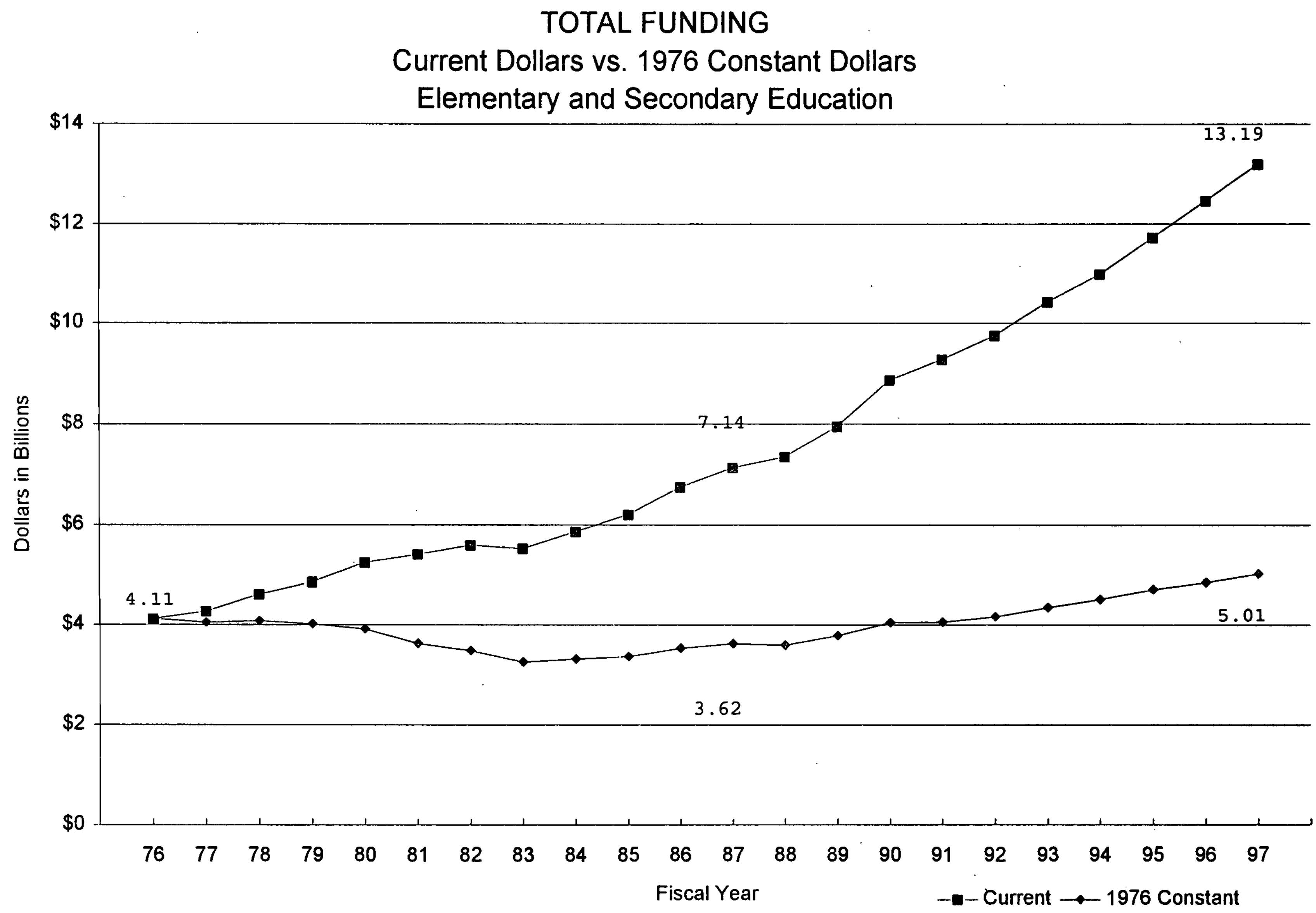
FIGURE 7



TOTAL FUNDING
Current Dollars vs. 1976 Constant Dollars
Elementary and Secondary Education
$14
$12
$10
$8
$6
$4
$2
$0
Dollars in Billions
13.19
7.14
4.11
5.01
3.62
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
Fiscal Year
Current
1976 Constant

TABLE 7

State Appropriations per Pupil Enrolled, Current Dollars and Constant Dollars
Fiscal Years 1976 through 1997

Fiscal Year	State Appropriations: Current Dollars[a]	State Appropriations: Constant (1976) Dollars[a]	Fall Enrollment	State Appropriations per Pupil Enrolled: Current Dollars	State Appropriations per Pupil Enrolled: Constant Dollars	% Change in Constant Dollars per Pupil Enrolled
1976	$1,988,100	$1,988,100	2,265,570	$877.53	$877.53	0.00%
1977	2,000,600	1,889,712	2,234,100	895.48	845.85	-3.61
1978	2,040,900	1,802,613	2,179,282	936.50	827.16	-2.21
1979	2,128,900	1,756,214	2,106,239	1,010.76	833.82	+0.81
1980	2,218,500	1,652,366	2,038,912	1,088.08	810.42	-2.81
1981	2,328,100	1,561,016	1,979,545	1,176.08	788.57	-2.70
1982	2,243,300	1,396,990	1,919,111	1,168.93	727.94	-7.69
1983	2,103,200	1,237,133	1,875,770	1,121.25	659.63	-9.40
1984	2,236,100	1,261,637	1,849,045	1,209.33	682.32	+3.46
1985	2,427,900	1,313,202	1,829,619	1,326.99	717.74	+5.19
1986	2,767,900	1,449,686	1,821,278	1,519.76	795.97	+10.90
1987	2,985,400	1,511,970	1,819,392	1,640.88	831.03	+4.40
1988	2,866,400	1,399,193	1,806,357	1,586.84	774.59	-6.79
1989	3,000,100	1,424,076	1,790,566	1,675.50	795.32	+2.68
1990	3,487,500	1,589,251	1,792,356	1,945.76	886.68	+11.49
1991	3,499,600	1,526,323	1,816,182	1,926.90	840.40	-5.22
1992	3,433,900	1,463,987	1,843,394	1,862.81	794.18	-5.50
1993	3,475,400	1,448,011	1,877,785	1,850.80	771.13	-2.90
1994	3,611,500	1,483,107	1,898,494	1,902.30	781.20	+1.31
1995	3,792,600	1,521,910	1,920,289	1,975.02	792.54	+1.45
1996	3,994,800	1,551,385	1,948,089	2,050.62	796.36	+0.48
1997	4,304,600	1,626,673[b]	1,974,388[b]	2,180.22[b]	823.89[b]	+3.46[b]

[a] In thousands of dollars.
[b] Estimate

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PART I
State Education Programs

An estimated 1,974,388 students will be enrolled in Illinois public schools in 1996-97, a total exceeded only by California, Texas, New York and Florida. Illinois' 905 regular school districts and its state-operated schools serve approximately 4.4 percent of the nation's 44.7 million public school students.

A wide range of educational services, many required by state or federal statutes, is provided in Illinois public schools. State revenues supporting public school programs are appropriated annually by the Illinois General Assembly and enacted into law with the approval of the Governor. Appropriations for non-capital grants and payments to public schools are made to the State Board of Education from the state Common School Fund, the Education Assistance Fund, the General Revenue Fund and the Driver Education Fund. Appropriations are also made from the state's Corporate Personal Property Replacement Tax Fund, resulting in disbursements by the Illinois Department of Revenue directly to school districts.

Illinois law allows three different types of public school districts. Elementary districts provide schooling for pre-kindergarten through grade 8 students. Secondary (high school) districts serve students in grades 9 through 12. Unit districts are organized to serve students at all grade levels. Most secondary districts serve geographic areas which include multiple elementary districts. When this situation occurs, the term "dual district" is used to describe the organizational format.

This part summarizes funding information about more than seventy separate programs or categories of state assistance to elementary and secondary schools. These programs are discussed under two major groupings: Appropriated to the State Board of Education and Appropriated to Other State Agencies.

Appropriated to the State Board of Education

Common School Fund Programs

General State Aid

Over 62 percent ($2.378 billion) of the annual appropriations of the State Board of Education is used to provide General State Aid to local public schools. Chicago School District 299 will receive about $503.3 million, or 21.2 percent of that amount.

The distribution of General State Aid (GSA) to Illinois common schools is determined by a statutorily defined funding formula. The formula provides for different methods of funding allocation, dependent primarily upon the equalized assessed valuation of property within a particular school district. For 1996-97, 689 districts received funding under the Special Equalization computation. The Alternate Method calculation was used to fund 150 districts, and 66 districts were funded under the Flat Grant method. The amount of GSA distributed to school districts is determined by the yearly appropriations made by the Illinois General Assembly and signed into law by the Governor.

A description of the state aid funding formula is provided in Appendix C, as well as information about the formula funding levels for 1996-97.

Supplementary (Hold-harmless) Payments

Subsection A5(o) of Section 18-8 of the School Code provides for supplementary (hold-harmless payments) to any school district whose 1996-97 General State Aid net entitlement is less than its 1995-96 net entitlement. $23,200,000 has been appropriated for this purpose.

Interest on Deferred General State Aid Payments

Section 18-11 of the School Code (Payment of Claims) provides for the compensation of districts for interest lost each year due to the deferral to July of that part of their General State Aid payments that previously had been paid during the immediately preceding June. These payments are to be recorded in Revenue Account Number 3025 in any fund of the district except the Working Cash Fund.

The appropriation for this purpose for Fiscal Year 1997 was $1,252,300. Payments to districts were made in September of 1996.

Supplementary State Aid for New and Certain Annexing Districts

The Fiscal Year 1997 appropriations totaled $11 million for supplementary state aid payments to new and certain annexing districts. For a more complete discussion of this topic, please refer to Part IV.

Regional Superintendents of Schools/Educational Service Regions

Responsibilities and Compensation. Article 3 of the School Code provides for 45 Educational Service Regions to support and supervise various aspects of school activity. Each region encompasses one or more counties and is headed by a regional school superintendent elected by the voters of the region. Each Educational Service Region has a Regional Office of Education. State and federal funding for schools is distributed through the office of the regional superintendent serving each school district. Vouchers executed by the State Board of

Education are payable to the regional superintendent. Each regional office, in turn, is to distribute payments and any accumulated interest to the local school districts unless a contract exists providing for the regional office to retain interest for specific services provided the districts. When the provisions of Senate Bill 1324, Public Act 88-641 become effective, payments will be made directly to school district treasurers. About ninety districts (none in Cook County) are participating in a pilot program using wire transfer technology. In Cook County payments are made directly to township school treasurers or school district treasurers.

The Cook County Educational Service Region ceased to exist as of June 30, 1994. Effective July 1, 1994, the State Board of Education assumed the duties and responsibilities of that office. On August 7, 1995, a new Regional Office of Education for suburban Cook County became operational. The sum of $940,000 is appropriated to the State Board of Education "for operational costs to provide services associated with the Regional Office of Education for the City of Chicago." (Direct quotation from the Appropriations Act, Public Act 89-501)

Senate Bill 937 (Public Act 88-89) reduced the total number of Educational Service Regions and regional superintendents to 45 in 1995. All current regional superintendent duties are retained except disbursement of funds to school districts unless they enter into an intergovernmental agreement with districts to do so.

Also effective in August of 1995, the responsibilities of the 14 downstate Educational Service Centers were transferred to Regional Offices of Education. These responsibilities will be administered by regional superintendents.

The General Assembly determines salaries of regional superintendents according to the 1990 population of the region served. The salaries of regional superintendents are as follows:

Population of Region	Annual Salary
Less than 48,000	$66,000
48,000 to 99,999	70,500
100,000 to 999,999	74,000
1,000,000 and over	76,000

Each regional superintendent is authorized to appoint at least one assistant regional superintendent. The salary of an assistant regional superintendent ranges from 70 to 90 percent of the salary of the regional superintendent, dependent upon the qualifications of the assistant. For Fiscal Year 1997, $6.46 million is appropriated for the salaries of 45 regional superintendents and their assistants.

Regional Superintendent Audit. The Illinois State Board of Education is responsible for assuring that annual audits are conducted of the financial records of each Educational Service Region. Such audits are to be conducted in accordance with Generally Accepted Government Auditing Standards. Section 2-3.22 of the School Code requires the State Comptroller to withhold funds due to school districts in the regional superintendent's educational service region or his/her compensation until the annual audit is furnished.

The State Board of Education, on February 15 of each year, is required to notify the Legislative Audit Commission in writing of the completion, or of the reasons for the noncompletion, of each audit required by Section 2-3.17a. The State Board of Education is also required, within 60 days after each regional superintendent's audit report is completed, to furnish a copy of that audit report to each member of the General Assembly whose legislative district includes any part of the educational service region served by that regional superintendent and to publish a notice in a newspaper published in the educational service region where the audit report has been prepared and is available for inspection during regular business hours at the office of the regional superintendent.

For Fiscal Year 1997, $603,300 is appropriated to the State Board of Education for the payment of contracts for financial audits of each Educational Service Region.

Supervisory Expense Fund. Section 18-6 of the School Code provides that the State Board of Education shall annually request an appropriation from the Common School Fund as a regional supervisory expense fund, aggregating $1,000 per county per fiscal year.

Each Regional Superintendent of Schools may draw upon this fund for the expenses necessarily incurred in providing supervisory service in his or her region. The Fiscal Year 1997 appropriation is $102,000.

Pupil Tuition Claims for Orphanages and Children's Homes or State-Owned Housing

Section 18-3 of the School Code authorizes eligible districts to file a claim for the annual tuition cost for the current school year of pupils from orphanages, children's homes, or state-owned housing who attended grades kindergarten through 12 of the public schools maintained by the school district. Payment is based upon a district's prior-year, per capita tuition charge multiplied by the average daily attendance of the pupils from these special settings. The Fiscal Year 1997 appropriation is $12,453,200.

House Bill 2937, Public Act 88-575, effective August 12, 1994, amended Section 18-3 to provide that any payments pro-rated during Fiscal Year 1994 and thereafter must be paid in full before current year claims can be paid.

Tax-Equivalent Grant

Section 18-4.4 of the School Code, as amended by House Bill 207 (Public Act 89-698), effective January 15, 1997, provides for tax-equivalent grants. When a state institution is located in a school district in which the state owns 45 percent or more of the total land area, the school district is eligible to file for a tax-equivalent grant. For Fiscal Year 1995 through Fiscal Year 2001, the grant shall equal 0.5% of the computed equalized assessed valuation of the land owned by the State.

The amendment to this Section contains an automatic repealer clause; this Section is repealed as of July 1, 2001.

Only one district in the state currently qualifies for a tax-equivalent grant. The Fiscal Year 1997 appropriation is $172,800.

Teachers' Retirement Contributions

Certificated elementary and secondary public school personnel participate in one of two teacher retirement systems. Qualified personnel of the Chicago Public Schools participate in the School Teachers Pension and Retirement Fund of Chicago. Personnel in all other districts and professional employees of the State Board of Education participate in the Teachers' Retirement System of the State of Illinois.

The State of Illinois is responsible for assuring pension benefits are paid to retired teachers. The state makes annual payments toward the support of both teacher retirement systems. These payments represent employer contributions to the earned benefits of active members. Though a variety of provisions affect the desired or required contributions by the State of Illinois to these systems, the amount contributed each year is a direct function of the amount appropriated by the General Assembly and signed into law by the Governor.

For Fiscal Year 1997, appropriations to these systems totaled approximately $449 million, as follows:

State of Illinois Teachers' Retirement	
Regular	$346,565,500
Early Retirement Incentive Program	937,000
Supplementary	31,469,500
Additional Costs Due to Establishment of Minimum Retirement Allowances	8,113,000
Chicago Teachers' Retirement	
Regular	$ 62,044,700
Supplementary	50,000

The regular appropriation for the Chicago system and the early retirement incentive program appropriation reflected above are appropriated to the State Board of Education. In turn, ISBE sends vouchers for partial payment amounts semi-monthly, on the same schedule as General State Aid payments. Regular payments for the Chicago System are vouchered to the Chicago Board of Education which is responsible for payment to the Chicago Teachers' Retirement System.

The regular appropriation for the downstate system, supplementary appropriations and the appropriation for additional costs due to the establishment of minimum retirement allowances reflected above are payable directly to the respective retirement systems. These appropriations are to meet the requirements of specific sections [40 ILCS 5/16-135, 16-136.2, 16-136.3 and 16-147 (downstate), and 40 ILCS 5/17-154, 17-155 and 17-156 (Chicago)] of the Illinois Pension Code, and Section 8.12 of An Act in Relation to State Finance, approved June 10, 1919, as amended (30 ILCS 105/8.12).

Categorical and Special Funding Programs

Transportation Claims and Reimbursement

Regular Pupil Transportation. The State of Illinois, through the State Board of Education, provides reimbursements to school districts for certain pupil transportation costs. Subject to various limitations, the state reimburses the "allowable costs" of transporting "eligible" pupils. Reimbursement is adjusted to require districts to assume a qualifying amount of financial responsibility. A district's qualifying amount is the district's equalized assessed valuation multiplied by a computational tax rate. This computational rate is .06 percent for elementary districts, .05 percent for secondary districts, and .07 percent for unit districts. The claim for a district is the greater of the amount computed in the reimbursement formula, or $16 multiplied by the number of eligible pupils transported.

Pupils eligible for a district's program include those residing one and one-half miles or more from their attendance center and students who must reach school by walking through a safety hazard area. Designation of a safety hazard area is made by local boards of education, using guidelines established by the Illinois Department of Transportation (IDOT). Final approval is the responsibility of IDOT.

Transportation costs eligible for reimbursement are governed by Section 29-5 of the School Code and by regulations promulgated by the State Board of Education. In general, these rules prohibit reimbursement for non-eligible pupils and for non-eligible transportation such as extramural sports travel. A school district may provide transportation through its own program or under contract to a transportation carrier. Section 29-5 and the regulations of ISBE also govern various aspects of the accounting for allowable costs. (See Allowable Pupil Transportation Costs.)

Funds paid in the current fiscal year are reimbursements for claims filed by districts for the prior fiscal year's costs.

Claims may be reduced in some cases. If the claim amount, as computed by the formula, exceeds four-fifths of the cost to transport eligible pupils, those districts with a transportation fund tax rate less than .12 percent will have their claims reduced. The amount of reduction is computed by subtracting the respective district's transportation tax rate from .12 percent and multiplying the difference by the district's equalized assessed valuation. This reduction cannot, however, decrease the reimbursement below the four-fifths level for those districts whose claim computation is 80 percent or more of the allowable costs.

For Fiscal Year 1997, a total of $132 million is appropriated for the reimbursement of the 1995-96 regular and vocational transportation claims of school districts. The amount appropriated is estimated by the State Board of Education to be sufficient to reimburse about 91.4 percent of the eligible costs of districts.

Vocational Pupil Transportation. State transportation reimbursement is provided to any school district which transports resident pupils during the school day to an approved vocational program. Approved programs include area vocational centers, the vocational program of a school that is more than one and one-half miles from the school attended, another school district's program offered through an approved joint agreement, and a community college program providing advanced training for students in grades 11 and 12 who desire preparation for a trade. State reimbursement is four-fifths of the allowable cost of such transportation.

State reimbursement for regular and vocational education pupil transportation is made on a quarterly basis.

Special Education Pupil Transportation. Section 14-13.01(b) of the School Code provides for State reimbursement for the transportation of pupils with disabilities as described in Section 14-1.02. Reimbursement is four-fifths of the "allowable costs" of transportation for each child who, pursuant to his/her IEP, requires special transportation services. Reimbursement may be provided for qualified transportation for such students enrolled in both public and nonpublic schools.

Allowable costs are subject to state statute and the rules and regulations of the State Board of Education.

The Fiscal Year 1997 appropriation of $125,584,200 is sufficient to reimburse approximately 90.6 percent of the 1995-96 special education transportation claims of districts. Payments are made quarterly.

Allowable Pupil Transportation Costs. Section 29-5 of the School Code defines allowable costs for all types of pupil transportation reimbursement. Allowable costs include physical examinations including drug tests, salaries of drivers, salaries of school bus maintenance personnel, payments to independent carriers, pre-approved contractual expenditures for computerized bus scheduling, gasoline and other supplies, workshops for drivers, maintenance of buses, leasing and rental costs, insurance and licenses, and depreciation for vehicles and equipment. The annual depreciation allowance is 20 percent for school buses and vehicles approved for allowable pupil transportation services. Special education allowable costs also include expenditures for salaries of attendants or aides for the portion of time spent in assisting pupils in transit.

School districts may also claim all transportation supervisory salary costs and all transportation-related building and building maintenance costs, subject to the rules and regulations of the State Board of Education.

Indirect costs are included in the reimbursement claim for districts which own and operate their own school buses. Such indirect costs include administrative costs, any costs connected with buildings used for transportation services, or any costs attributable to transporting pupils from their attendance centers to another school building for instructional purposes. No school district which owns and operates its own school buses may claim reimbursement for indirect costs which exceed five percent of the total allowable costs for pupil transportation.

Hazardous Conditions Determinations. The law allows transportation of pupils who live less than one and one-half miles from the school attended when hazardous conditions exist and public transportation is not available. For determination of the one and one-half miles, distance is measured from the exit of the property where the pupil resides to the school along normally traveled roads or streets. The determination of a safety hazard is made by the local school board, in accordance with rules promulgated by the State of Illinois, Department of Transportation, in consultation with the State Board of Education. The Department of Transportation reviews the findings of the local school board and approves or disapproves the findings within 30 days.

The law also requires every school board to review the hazardous conditions annually and certify to the State Superintendent of Education whether or not those conditions remain unchanged. Furthermore, the State Superintendent may request that the Department of Transportation verify that the conditions have not changed.

Pupil Transportation Reimbursement to Parents/Guardians. Section 29-5.2 of the School Code authorizes payments to parents/guardians of eligible students for qualified transportation expenses. Eligibility criteria include the following:

1. The pupil must be under the age of 21 years at the close of the school year.
2. The pupil must be a full-time student in grades kindergarten through 12.
3. The pupil must live either: 1) 1 1/2 miles or more from the school attended, or 2) within 1 1/2 miles from the school attended for which the parent/guardian has received a formal verification from the Illinois Department of Transportation that a serious safety hazard exists. Application for such verification must be obtained from the respective regional superintendent and completed and returned by the parent/guardian to that regional superintendent on or before February 1. Those applications approved after September 1987 are valid for 4 years, as long as conditions do not change the qualified status of the application.
4. The parent/guardian resided within Illinois during the time period expenses were incurred.
5. The school the pupil attended is located within Illinois and satisfies the Illinois compulsory attendance law.

6. The pupil did not have access to transportation to and from school provided entirely at public expense.
7. The parent/guardian incurred expenses for transporting the pupil to and from school.

The chief school administrator of each school affected must notify the parents/guardians of eligible students about this reimbursement program by the first Monday in November. Parents/guardians are required to complete the claim form at the school(s) their children/child attend(s). Such forms are available at the schools from sometime in February through the deadline of June 30.

Parents/guardians meeting eligibility criteria and completing the necessary forms within the required timelines will receive the lesser of the cost of transportation or the average per pupil reimbursement given to public schools for regular pupil transportation. Claims will be prorated if insufficient funds are appropriated for the program by the General Assembly.

For Fiscal Year 1997, the appropriation for this purpose is $5,120,000, which includes $120,000 for operational costs.

<u>School Bus Safety Control Devices</u>. The amount of $150,000 was appropriated for the purchase of school bus safety control devices to be competitively granted to school districts statewide.

<u>Transportation Program Information</u>. Additional information concerning any of the state transportation programs referenced in this section can be obtained from the Funding and Disbursement Services Division at 217/782-5256.

Driver Education

The State Board of Education reimburses school districts for certain costs of district driver education programs. Section 27-24.4 of the School Code contains the driver education reimbursement formula. The base reimbursement amount is calculated annually by the State Board of Education. The calculation takes the lesser of the driver education appropriation or the accumulated amount in the driver education fund (less necessary administrative funds) and divides this amount by the total of (a) the number of students who have completed classroom instruction for whom valid claims have been made times 0.2 plus (b) the number of students who have completed practice driving instruction for whom valid claims have been made times 0.8.

The amount of reimbursement to be distributed on each claim is 0.2 times the base reimbursement amount for each validly claimed student who has completed the classroom instruction part plus 0.8 times the base reimbursement amount for each validly claimed student who has successfully completed the practice driving instruction part. Reimbursements cannot exceed a district's program costs.

Sample computation:

$15,750,000 (appropriated driver education funds estimated to be available for distribution)

148,000 classroom pupils times	0.2 =	29,600
138,000 practice driving pupils times	0.8 =	<u>110,400</u>
Total (estimate)		<u>140,000</u>

$15,750,000 divided by 140,000 = $112.50 Base Reimbursement Rate

Amount per pupil (classroom) = $112.50 times 0.2 = $ 22.50
Amount per pupil (practice driving) = $112.50 times 0.8 = $90.00

The Fiscal Year 1997 appropriation for Driver Education reimbursement is $15.75 million. The Illinois State Board of Education makes payments as funds accumulate in the Driver Education Fund from Secretary of State license fees and law enforcement citations. An additional $765,000 has been appropriated to administer the program.

Subject to State Board of Education rules and regulations, a school district may charge a reasonable fee, not to exceed $50, to students who participate in a driver education course. If a student is unable to pay, the student fee may be waived.

For program information, call the Secondary Education Division at 217/782-2826; for reimbursement information, call the Funding and Disbursements Services Division at 217/782-5256.

Adult Education and Literacy

Under provisions of the School Code, Section 10-22.20, and Section 3-1 of the Adult Education Act, the following populations are eligible to participate in adult education programs: a) adults, 16 years of age and older, who have not completed the secondary level and are not otherwise in attendance in school; b) adults, 21 years of age and older, who may or may not have completed the secondary level and who can verify a need for job skills improvement and/or employability skills; and c) persons eligible for services under the state public assistance program. The individuals identified above can enroll in adult basic, secondary, vocational, English as a Second Language, and General Educational Development review classes conducted by education agencies.

Participating local education agencies are allowed a uniform reimbursement rate per student unit of instruction (15 hours) in the two subprograms of 1) state adult education and 2) public assistance adult education with a weighting factor for basic and vocational classes.

The funds in the state adult education subprogram are 100 percent State grant funds, with $10,277,200 appropriated for Fiscal Year 1997. Under the public assistance subprogram, federal funds reimburse a percent of the cost of services through an interagency agreement with the Illinois Department of Public Aid. The General Assembly appropriated $10,068,200 for this subprogram.

Local education agencies and public community colleges are eligible to apply for funds by participating in an area planning council and submitting applications for approval by the Illinois State Board of Education.

Under certain conditions the State Board of Education may enter into agreements with public or private agencies other than public schools for the establishment of classes conducted pursuant to Section 10-22.20 of the School Code.

For Fiscal Year 1997, $1,659,900 has been appropriated as part of the State's matching funds for the Federal Adult Education Program. The Federal Adult Education Act (Public Law 100-297) signed into law on April 28, 1988, established the State's matching requirements at 25 percent for Fiscal Year 1992 and thereafter.

For further information concerning adult education, contact the Community and Family Partnerships Division at 217/782-3370.

Special Education Programs, Claims and Reimbursement

Special Education Personnel Reimbursement. The State reimburses school districts or special education cooperatives for approved special education personnel and for home/hospital services. Districts are reimbursed during Fiscal Year 1997 as follows:

1. For eligible children with physical disabilities and all eligible children whose placement determined under Section 14-8.02 is in hospital or home instruction, one-half of the teacher's salary, but not more than $1,000 annually per child or $8,000 per teacher, whichever is less.
2. For each full-time professional worker, $8,000. This is limited to speech and language pathologists, school social workers, school psychologist interns, school social work interns, school nurse interns, certified school nurses, registered therapists, professional consultants, special education administrators or supervisors, and teachers certified or approved in areas of special education.
3. For each full-time qualified director of special education, $8,000.
4. For each full-time school psychologist, $8,000.
5. For each full-time qualified teacher working in an approved program for preschool children with hearing impairments, $8,000.
6. For readers, working with children with visual impairments, one-half of their salary, but not more than $400 annually per child.
7. For necessary noncertified employees working in any approved class or program, the lesser of one-half of the salary paid or $2,800 annually per employee.

When a school district or special education cooperative operates an approved school or program in excess of the adopted school calendar, personnel reimbursement for each additional day is available at 1/185 of the amount or rate paid. A maximum of 235 days is allowed. The Fiscal Year 1997 appropriation for personnel reimbursement to school districts under Section 14-13.01 of the School Code is $209.8 million. Claims are paid at an estimated 87.1 percent proration level. Payments are made quarterly.

Tuition for Pupils with Disabilities Attending Private Schools or Special Education Facilities, Out-of-State Public Schools, or Public School Residential Facilities. The State reimburses the approved tuition cost for special education and related services during the regular and summer school terms under a two-tier reimbursement formula pursuant to Section 14-7.02 of the School Code.

The first tier provides state reimbursement for the difference between the district's per capita tuition charge and the lesser of $4,500 or the tuition cost of the facility providing services.

When the tuition charge is greater than the district's per capita tuition charge for regular pupils plus $4,500, the second tier provides that the State will reimburse the amount in excess of the district's per capita plus $4,500 in addition to the amount calculated in tier one.

The Fiscal Year 1997 State appropriation of $31.3 million is to honor tuition claims from the 1995-96 school year. Funds are estimated to be sufficient to pay claims at about the 86.5 percent level. Payments are made quarterly.

Extraordinary Special Education Costs. Section 14-7.02a of the School Code provides state reimbursement up to a maximum of $2,000 per child above the district's per capita tuition charge to school districts whose student costs after other reimbursements exceed one and one-half times the district's per capita tuition charge. Costs must be calculated pursuant to Section 14-7.01. The Fiscal Year 1997 appropriation of $101,071,500 is expected to be sufficient to fund approximately 84.6 percent of claims from the 1995-96 school year. Payments are made quarterly.

Special Education Pupils from Orphanages, Children's Homes, State Housing Units or Foster Homes. Section 14-7.03 of the School Code authorizes current funding to school districts for providing preapproved special education services to eligible children with disabilities. Tuition costs must be calculated using the per capita formula set forth in Section 14-7.01. For those districts claiming individual students, an eligibility verification is required prior to receipt of funds. For group programs, budget approval is required prior to receipt of funds. The Fiscal Year 1997 appropriation is $110,478,600, which is expected to be sufficient to fund the shortfall from Fiscal Year 1996 and an estimated 100.0 percent of the Fiscal Year 1997 claims.

House Bill 2937, Public Act 88-575, effective August 12, 1994, amended Section 14-7.03 to provide that any payments pro-rated during Fiscal Year 1994 and thereafter must be paid in full before current-year claims can be paid.

Special Education Summer School. Pursuant to Section 18-4.3, an appropriation of $3,131,800 is available to reimburse 1996 summer school for pupils eligible under Sections 14-7.02 and 14-7.02a of the School Code. Pupil enrollment of at least 60 clock hours is required.

Community and Residential Services Authority. A total of $262,400 is appropriated to the State Board of Education for operational costs of the Community and Residential Services Authority (CRSA) for Behavior Disordered and Severely Emotionally Disturbed Children and Adolescents. The CRSA is an interagency organization coordinating the placement and funding responsibilities of the various participating agencies. For further information, contact Gary Seelbach, CRSA Director at 217/782-2438.

Statewide School and Service Center for Deaf/Blind Persons. The State Board of Education was appropriated $2,456,600 in Fiscal Year 1997 for the basic operation of the Philip J. Rock Center and School for services to deaf/blind individuals. Program authorization is in Section 14-11.02 of the School Code. The center is located at 818 DuPage Boulevard, Glen Ellyn, Illinois 60137. The telephone number is 708/790-2474.

Special Education Materials. A 1997 fiscal year appropriation of $869,100 is available to provide for the production, procurement, storage, and distribution of special education materials for children and eligible adults with visual impairments pursuant to Section 14-11.01 of the School Code. Springfield School District 186 is the administrative agent for this program. For further information, contact Ms. Donna Lynn, Director of Special Education, Springfield School District 186, 900 West Edwards Street, Springfield, Illinois 62704, telephone number 217/525-3060.

Regional Low-Incidence Programs. The Fiscal Year 1997 appropriation of $1.5 million is for establishing and/or maintaining education programs for pupils with low-incidence disabilities. The State Board of Education distributes these funds statewide on a grant basis through special education cooperatives and regional programs. Program information is available from the Early Childhood Education Division at 217/524-4835.

Early Intervention — Infants and Toddlers. The purpose of this program is to provide funds for screening, assessment and evaluation of children, ages birth through two; local interagency councils/systems; and to implement a central billing system to coordinate billing and payment for early intervention services.

During the 1995-96 school year approximately 1,400 children were served by this program.

Funding will be on a current-year basis pursuant to the five-year plan submitted to the Governor. For Fiscal Year 1997, $12 million has been appropriated for this program.

Regular Education Initiative. The General Assembly appropriated $1.2 million in Fiscal Year 1997 for the Regular Education Initiative (REI) program. This funding source allows for increased collaboration and cooperation between regular and special education. Due to the availability of these funds, inservice (continuing) education has been offered to hundreds of educators throughout the state on an ongoing basis. This will continue at the elementary and secondary levels, as well as with college faculty.

Any questions concerning the Special Education programs listed above should be directed to the contacts indicated, or to the Early Childhood Education Division at 217/524-4835 the Middle-Level Education Division at 312/814-3850, or the Secondary Education Division at 217/782-2826.

Recording for the Blind and Dyslexic

The amount of $150,000 was appropriated for Fiscal Year 1997 for a grant to Recording for the Blind and Dyslexic for programs and services in support of Illinois citizens with visual and reading impairments.

Life Education Center Foundation

The sum of $275,000 is appropriated to the State Board of Education for a grant to the Life Education Center Foundation program.

Illinois State Free Lunch and Breakfast Programs

Illinois law requires all public schools to provide free lunches to needy students. Schools serving meals can receive financial assistance through participation in the Illinois State Free Lunch and Breakfast Programs.

These voluntary programs are available to both public and private school systems. Participating schools are reimbursed $.1225 for each free lunch and breakfast served to an eligible student. The current appropriation is $15,650,000.

Schools that wish to receive additional information should contact the Financial Outreach Services Division at 800/545-7892 or 217/782-2491; or FAX 217/524-6124.

Bilingual Programs

Appropriations are provided in Fiscal Year 1997 in the amount of $23,028,000 for school districts outside of Chicago that provide Transitional Bilingual Education programs (TBE) and Transitional Programs of Instruction (TPI) for children of limited-English proficiency.

Upon receiving program approval from the State Superintendent of Education, districts are eligible for reimbursement of excess program costs. The bill also provides $31,209,000 million for reimbursement to Chicago School District 299 for approved bilingual programs (TBE and TPI). The total state appropriation for bilingual programs is $54,237,000.

Bilingual education is a current-funded program. School districts file three estimated quarterly claims and a final adjusted claim.

Senate Bill 730 (1985) increased school district responsibilities for providing transitional bilingual education by requiring services to all limited-English-proficient students in need. Where fewer than 20 children in any language classification are in an attendance center, the district must provide a locally determined transitional program of instruction based upon an individual student language assessment.

For further information, contact the Middle-Level Education Division at 312/814-3850.

Bilingual Assessment, (Illinois Measure of Annual Growth in English), Section 2-3.64(a) of the School Code provides that students who are enrolled in a state-approved bilingual education program for less than three academic years are not required to participate in the Illinois Goal Assessment Program; however, the law requires that an alternative assessment be developed and administered to these students. An appropriation of $400,000 for Fiscal Year 1997 will support the development and implementation of an assessment of English proficiency in reading and writing to be administered to eligible bilingual students. It is estimated that 76,000 students in grades 3-12 will be eligible to participate in the Illinois Measure of Annual Growth in English. For further information on the Bilingual Assessment program, contact the Illinois Goals and Assessment Program at 217/782-4823.

Vocational Education

Both the Illinois General Assembly and Congress provide funding for vocational/technical education programs designed to prepare Illinois youth and adults for employment. Federal funding is discussed in Part II of this publication.

An appropriation of $46,874,500 in state funds will provide formula reimbursements to local education agencies for students enrolled in approved vocational programs during 1995-1996.

Vocational Instructor Practicum (VIP). The objective of this program is to place public school counselors, public vocational education teachers and administrators in private/public-sector positions for continuing education. This program is administered at the local level by the three Intermediate Service Centers (ISCs) and the Chicago Public Schools in Cook County and the Regional Offices of Education in the rest of the State. Grants up to $2,000 may be awarded to each eligible vocational education applicant. Eligible VIP applicants must be listed in regional system and community college plans and spend more than 50 percent of their time in Education for Employment programs.

For Fiscal Year 1997, $1,512,700 has been appropriated by the Illinois General Assembly to support the program.

For additional information, please contact the Workforce Preparation Partnerships Division at 217/782-4620.

Technical Preparation Education Programs. In Fiscal Year 1997, $5 million will be used to fund Vocational Education Technical Preparation Programs throughout Illinois. These funds will complement federal funding (See Part II) and allow expansion to additional secondary sites and occupational program areas.

The purpose of this program is to provide funds for the planning and development of four-year technical preparation (Tech Prep) programs. Tech Prep programs are designed to meld a strong academic program with a strong program in technical education (electronics technology, medical technology, etc.) to culminate in an associate degree. The objective of the programs is to prepare qualified students to meet the increasingly demanding requirements of the emerging high technologies job market. Programs are developed at secondary school and community college levels.

All community colleges and secondary regional vocational systems will be involved with implementing Tech Prep throughout their geographic service areas.

In Fiscal Year 1996, funds were awarded to community colleges and secondary vocational regional systems via allocation grants and/or competitive grants based on program indicators. A portion of Fiscal Year 1997 funds will be used for coordination, teacher inservice, curriculum development, program improvement and career planning activities to support the Tech Prep initiative.

Illinois Student Apprenticeship System. This program provides funds for the planning and development of a Student Apprenticeship System. Through this program high school students acquire work-site learning experiences, skills and competencies necessary to enter high-skilled, high-wage jobs. The system includes comprehensive training, assessment and certification geared to the needs of specific industries and occupations. Students will spend 60% of their time at the workplace in full-time apprenticeships including academic instruction.

These programs are designed to serve high school students who are not planning to pursue a baccalaureate degree.

In Fiscal Year 1997, funds will be awarded to eligible recipients in three to five occupational areas via allocation grants and/or competitive grants based on business-education partnerships.

Funds will be used to develop the student apprenticeship system of training, assessment and certification in three to five occupational areas.

For Fiscal Year 1997, $1 million has been appropriated for this program.

The Illinois Council on Vocational Education. This advisory group to the State Board of Education has been appropriated $86,600 for Fiscal Year 1997.

Partnership Academies. For Fiscal Year 1997, $600,000 has been appropriated for distribution to eligible recipients to assist in establishing and conducting vocational education partnership academies.

Education to Careers

An appropriation of $1,057,300 for Fiscal Year 1997 is for costs associated with the Education to Careers: Career Awareness and Development Initiative.

Gifted Education

Gifted Education Reimbursement Program. Article 14A of the School Code authorizes the State Board of Education to reimburse districts for services and materials to assist in implementation of the Comprehensive Gifted Education Plan. Funds are distributed on either a formula or personnel basis. Under the formula method, districts may claim up to 5% of the number of students in average daily attendance. Under the personnel method, each full-time professional who meets established standards generates $5,000. The Fiscal Year 1997 appropriation totals $19,695,800.

For further information, contact the Center for Educational Innovation and Reform at 217/782-3371.

Public and Nonpublic Textbook Loan Program

The Illinois State Board of Education is required to provide, free of charge, the loan of textbooks listed for use by the Illinois State Board of Education to any kindergarten through grade 12 student. The students must be enrolled in a public or nonpublic school that is in compliance with the state's compulsory attendance laws and Title VI of the Civil Rights Act of 1964. This service must be provided directly to the students at their request or at the request of their parents or guardians. The Illinois State Board of Education has adopted rules and regulations to administer the program and to facilitate the equitable participation of all eligible students.

Fiscal Year 1996 funding provided textbooks (one per pupil) for 29,506 first grade students to complete first grade under the "old rules." Under the revised legislation and regulations both textbooks and instructional computer software were provided to 476,459 second, third and fourth grade pupils. (Approximately 13% of the dollars for these pupils was spent on [illegible]re.) Students in the public schools accounted for 87 percent and those in the nonpublic schools accounted for 13 percent of the money spent under this program during Fiscal Year 1996.

The Fiscal Year 1997 appropriation for the Illinois Textbook Loan Program is $9,192,100. This amount will provide an allocation to school districts of $13.60 per pupil in grades 5 through 8 to acquire textbooks and instructional computer software. It is estimated that this allocation will serve 656,579 students in grades 5 through 8.

An additional part of the Textbook Program is the relocation of textbooks. Each fall the Textbook Loan Program Relocation Listing is disseminated to schools as a means of providing used textbooks in serviceable condition that are no longer needed in the donating schools.

The textbooks listed for relocation are provided free of charge to any Illinois public or nonpublic school requesting titles from the listing. Requests are taken on a first-come, first-served basis only. The receiving school is responsible for costs incurred in the transportation from the sending school. The relocation process ends December 31 of each year.

For additional information, contact the Fiscal Services Division at 217/782-0734.

School Reform Measures

Early Childhood Education

Preschool Program for Children at Risk of Academic Failure. Statutorily authorized by Section 2-3.71 of the School Code, the Preschool Program for Children at Risk of Academic Failure was established in 1985. It provides grants to public school districts to conduct screening programs to identify children, aged three through five, who are at risk of academic failure and to provide appropriate educational programs for those children to increase their likelihood of school success.

In Fiscal Year 1997, an estimated 34,857 three through five-year-old children (five-year-old children not eligible for kindergarten) will be served in developmentally appropriate preschool programs with an appropriation of $112,190,400 in grants to public school districts; an additional $484,000 has been appropriated for administration of the program. Other program components include evaluation and parent involvement, with an emphasis on linkage with agencies and organizations in the community which also serve the same population. Services are available in 650 school districts (including 52 joint agreements, 291 half-day projects and 42 full-day projects) in 101 counties.

Model Early Childhood Parental Training Program. Statutorily authorized by Section 2-3.71a of the School Code, the Model Early Childhood Parental Training Program allows the State Board of Education to provide grants to public school districts to conduct training programs for the parents of children in the period of life from birth to kindergarten entry.

With the Fiscal Year 1997 appropriation of $3,911,100, the program is projected to serve 30,081 families directly and 88,696 families indirectly in 238 school districts. Eighty-six (81 continuing and 5 new) projects have been funded.

Prevention Initiative Program for At-Risk Infants and Toddlers and Their Families. The purpose of the Prevention Initiative Program for At-Risk Infants and Toddlers and Their Families is to reduce school failure by coordinating and expanding health, social and/or child development services to at-risk infants and toddlers and their families who reside in "Families with a Future" areas. Families with a Future areas are identified by the Department of Public Health to help reduce infant mortality in Illinois.

The Illinois General Assembly has appropriated $2 million for the Prevention Initiative Program for Fiscal Year 1997. The Fiscal Year 1997 program will support services to approximately 1,100 families and 1,500 children.

For additional information, please contact the Early Childhood Education Division at 217/524-4835.

Block Grants

Under the provisions of Article 1C of the School Code, formerly separate appropriations for Regional and Local Staff Development Activities, Learning Objectives (Testing and Assessment System) and Second Language Programs have been combined into one block grant for which $25,127,500 was appropriated for Fiscal Year 1997.

Under the provisions of Section 2-3.51.5 of the School Code, the amount of $52,500,000 has been appropriated for Fiscal Year 1997 to fund block grants to school districts for school safety and educational improvement programs. "Educational improvement" includes textbooks and software, teacher training and curriculum development, school improvements, and remediation program under subsection (a) of Section 2-3.64 of the School Code. Funds will be distributed to school districts and laboratory schools on the basis of the prior year's best three months average daily attendance. Distributions will be made in two semi-annual installments, one payment on or before October 30 and one payment prior to April 30.

Curriculum and Teacher Development

Alcohol and Drug Education Initiative (Substance Abuse and Violence Prevention and Education Program). Section 2-3.92 of the School Code authorizes the State Board of Education, in consultation with the Department of Commerce and Community Affairs and the Department of Alcoholism and Substance Abuse, to establish criteria for implementing a program which recognizes schools, communities and businesses that are drug-free.

Section 2-3.93 of the School Code authorizes the State Board to award competitive grants to school districts for the purpose of developing drug-free community planning and implementation strategies through joint efforts. In addition, grants shall be made to qualifying school districts for staff development activities, software and curriculum materials. The Fiscal Year 1997 appropriation for this program is $5,468,300.

Arts Programs Grants. Section 2-3.65 of the School Code authorizes the State Board of Education to provide grants to school districts for the purpose of developing comprehensive arts programs in music, visual art, drama and dance for students in kindergarten through grade six.

The Fiscal Year 1997 appropriation to the State Board of Education of $499,700 provides grants to local school districts for planning these comprehensive arts programs.

Certification Testing. Since July 1, 1988, teachers, school service personnel, and administrators seeking Illinois certificates have been required to pass a basic skills test and a subject-matter knowledge test to achieve certification. Testing requirements apply to those seeking certificates in early childhood, elementary, special, and secondary education or administration. The tests cover both basic skills and subject-area knowledge. The tests, designed under the direction of the State Board of Education in consultation with the State Teacher Certification Board, are prepared by an educational testing organization.

The Fiscal Year 1997 appropriation to the State Board of Education includes $550,000 for the ongoing development of these tests of basic skills and subject-matter knowledge.

Student Assessment (Illinois Goal Assessment Program). Under Section 2-3.64 of the School Code, the State Board of Education is required to establish standards and annually assess the performance of all students enrolled in grades 3, 6, 8, and 10 in mathematics and language arts (reading and writing) and students in grades 4, 7, and 11 in science and social science.

A Fiscal Year 1997 appropriation of $5.74 million is allocated to the State Board of Education for the development and implementation of the Illinois Goal Assessment Program (IGAP). In March 1997, 850,000 students in the grades identified above are expected to participate in these assessments. District superintendents, principals and parents are provided with student performance information sufficient to compare their students' progress with state and national standards, as well as follow their own performance over time.

Reading Improvement, Grades K-6

Section 2-3.51 of the School Code authorizes the State Board of Education to fund school districts for improving reading and/or study skills of students in grades kindergarten through six. These funds are distributed by a formula with 70 percent of the funds allotted on the basis of the latest available best three months K-6 average daily attendance. The remaining 30 percent is based on ESEA, Chapter 1 eligibles prorated at 7/9 for elementary districts and 7/13 for unit districts. Funds may be used to provide reading specialists, teacher aides, other personnel, books and other printed materials to improve K-6 reading and/or study skills. Appropriations for Fiscal Year 1997 total $45,389,500. Payments to districts are made semi-annually.

For further information, contact the Grants Management Division at 217/782-3810.

Implementation of Computer Technology in the Classroom

The sum of $30 million has been appropriated to the State Board of Education for the purpose of implementing the use of computer technology in the classroom. Grants will be awarded on a competitive basis through requests for proposals.

For further information, contact the Technology Outreach Division at 217/782-5439.

Consumer Education Proficiency Test Development

Section 27-12.1 of the School Code requires high school students to obtain specific consumer knowledge and awareness. A 1985 change in the law permitted students to be excluded from mandated consumer education courses upon passage of a proficiency exam.

For Fiscal Year 1997, the State Board of Education has been appropriated $150,000 for the development and implementation of a consumer education proficiency test.

Educational Service Centers (Intermediate Service Centers)/Regional Offices of Education

Eighteen Educational Service Centers (ESCs), established by legislation, were responsible for providing technical assistance to school districts for the planning, implementation and evaluation of:

1. education for gifted children through area service centers, experimental projects and institutes as provided in Section 14A-6;
2. computer technology education including the evaluation, use and application of state-of-the-art technology in computer software as provided in Section 2-3.43; and
3. mathematics, science and reading resources for teachers including continuing education, inservice training and staff development.

Centers may also provide training, technical assistance, coordination and planning in other program areas such as career guidance, early childhood education, alcohol/drug education and prevention, family life/sex education, electronic transmission of data from school districts to the state, alternative education, identification of exemplary programs and regional special education (Section 2-3.62 of the School Code).

Operating under rules established by the State Board of Education, the ESCs (ISCs) are directed by governing boards consisting of local educators and community members and serve the school population located within a particular geographic region of the state. Each Center is staffed by a director, professional educators and support staff. The capacity of each ESC (ISC) to deliver services to its client schools is enhanced by the regular use of consultants from the local schools, colleges and universities, and public and private sources.

Although the programs and resources provided via the Centers vary from region to region based on the local needs, each currently delivers services and activities associated with the following programs:

- Public School Accreditation System and School Improvement
- The Illinois Administrators' Academy
- Learning Objectives and Student Assessment
- Eisenhower Math/Science Act
- Mathematics, Science and Reading
- Gifted Education
- Technology Education
- Staff Development
- Accelerated Schools and At-Risk Programs
- Vocational Instructor Practicum

Local perspective is infused into these statewide programs via use of advisory committees, consultants, workshop evaluations and each ESC's governing board.

The Fiscal Year 1997 appropriation available for the administration of the Educational Service Centers/Regional Offices of Education in Illinois is $11,771,400.

Senate Bill 937 (Public Act 88-89) transferred the responsibilities of the 14 downstate Educational Service Centers (ESCs) to Regional Offices of Education effective August 7, 1995. The Act also requires that ESC services (as well as the Educational Service Region's Institute Fund) be administered by the Regional Superintendent with the advice of a locally selected 13-member board.

As of Fiscal Year 1997, there are three ESCs (ISCs) in Suburban Cook County. The Chicago ESC (ISC) was "deactivated" under the waiver process (See Part V).

For additional information, contact the Regional Office of Education Services Division at 312/814-2222.

Illinois Administrators' Academy

The State Board of Education provides funding for an Illinois Administrators' Academy, whose services are currently delivered through the three Intermediate Service Centers (ISCs) in Suburban Cook County and the Regional Offices of Education. The purpose of the Academy is to provide administrators opportunities to develop skills in instructional leadership through participation in a diverse training and professional growth curriculum. For Fiscal Year 1997, $887,500 is appropriated to the State Board of Education for the coordination, design and delivery of services of the Illinois Administrators' Academy. For further information, contact the Regional Office of Education Services Division at 312/814-2222.

Teachers' Academy for Mathematics and Science

The sum of $1,050,000 has been appropriated to the State Board of Education for the purpose of establishing and paying the ordinary and contingent expenses of the Teachers' Academy for Mathematics and Science in Chicago.

Truants' Alternative and Optional Education Programs

Section 2-3.66 of the School Code authorizes the State Board of Education to establish programs which offer modified instructional services designed to prevent students from dropping out of school. Programs may also serve as part-time or full-time options in lieu of regular school attendance and may be operated by regular school districts, educational service regions, and community college districts. In Fiscal Year 1997, the $17,460,000 appropriated to the State Board of Education will support grants to provide truancy/dropout prevention services to at-risk youth in 78 projects statewide. For further information, contact the Alternative Learning Partnerships Division at 312/814-1487.

ROE Alternative Education Programs

The sum of $15 million has been appropriated for the purpose of granting funds to Regional Offices of Education to operate alternative education programs for disruptive students pursuant to Article 13A of the School Code. For further information, contact the Alternative Learning Partnerships Division at 312/814-1487.

Evaluation - Reform Programs

Funds are appropriated to provide for independent evaluations of selected educational reform programs developed by the State Board of Education. The Fiscal Year 1997 appropriation for these evaluations is $200,000.

Special Programs

Governmental Student Internship Program

In cooperation with Springfield School District 186, the State Board of Education finances a high school internship program known as the Illinois Governmental Internship Program. Under this program high school seniors from across Illinois serve semester-long internships in state government-related positions. Students live in Springfield during their internships. Funding for the Fiscal Year 1997 program is $129,900. For additional information, contact the Research and Policy Division at 217/782-3950.

Hispanic Student Programs

The Fiscal Year 1997 appropriation to the State Board of Education includes $374,600 to fund program services recommended for the Hispanic Student Programs. For additional information, contact the Middle-Level Education Division at 312/814-3850.

Agricultural Education Program

For Fiscal Year 1997, $1,299,800 was appropriated to the Illinois State Board of Education for agricultural education. These funds support initiatives to improve and expand agricultural education programs throughout the State through direct grants to local education agency agricultural education programs, curriculum development activities and inservice for instructors.

Additional information on this program may be obtained from the Secondary Education Division at 217/782-2826.

Center on Scientific Literacy/Scientific Literacy Promotion Programs

Section 2-3.94 of the School Code authorizes the Illinois State Board of Education to enter into contracts with or award grants to the educational service centers, the Illinois Mathematics and Science Academy, colleges and universities, and other not-for-profit organizations devoted to scientific literacy to provide inservice/staff development for elementary and secondary teachers. The State Board may also provide grants for colleges and universities to review and revise the preservice curriculum in mathematics and science. Additionally, the State Board shall provide competitive grants to school districts and not-for-profit organizations devoted to scientific literacy to provide pilot programs in scientific literacy.

Section 2-3.95 of the School Code creates, within the State Board of Education, a Center on Scientific Literacy to provide technical assistance to school districts. The center maintains an advisory committee and coordinates and supports the development of alternative curriculum models and appropriate assessment instruments. The Fiscal Year 1997 appropriation for this program is $9,783,000.

For additional information contact the Middle-Level Education Division at 217/782-5728.

Minority Transition Program

A total of $300,000 has been appropriated for Fiscal Year 1997 for the purpose of providing assistance to minority students in preparing for college. The University of Chicago will receive $165,000 and Chicago State University will receive $135,000 to develop "Pilot Enrichment Programs." Evening and Saturday offerings will be developed to assist minority students in preparing for the ACT and SAT tests and college-level work. Additional information can be secured by contacting the

Community and Family Partnerships Division at 217/782-3370.

Illinois Scholars Program

The purpose of this program is to expand a teacher recruitment and training program unlike any other in the nation to address the problem of reduced numbers of students, especially minority students, choosing teaching as a career. High school students are nominated in their junior year by teachers, counselors or principals, based on their capacity to become great teachers. Selected in the fall of their senior year, scholars are mentored through college and into their teaching careers by Golden Apple Winners.

- Scholars will receive a scholarship of $5,000 per year for four years in return for satisfactory completion of college and certification requirements at one of 22 participating Illinois universities.
- Scholars will receive four paid summer internships of $1,750 for participation in the activities of the six-week Golden Apple Summer Institute. Activities include teaching internships in urban schools, classes on the art and craft of teaching, camp counseling and preparation for the first years of teaching.
- Scholars will receive mentoring and support through the Golden Apple network at each university campus.

After four years of program support from the State Board, 240 scholars have received an array of benefits. The retention rate remains at 90%. In 1997, the first class of scholars will enter Illinois' high-need classrooms and teach for at least five years.

The appropriation of $1,104,300 will provide funding for the Scholars Program for Fiscal Year 1997.

Illinois Teacher of the Year Award

This program provides funds for the Teacher of the Year Award. Each year, through the Those Who Excel program, a Teacher of the Year is selected to act as "Ambassador" for the teaching profession during the second semester. The selected teacher also has the opportunity to spend the following year in advanced studies. As an "Ambassador," the teacher travels around the state speaking to civic groups, parent groups, inservice workshops, college classes, career nights, the news media and other forums.

The State Board will reimburse the school district of the selected teacher for the costs incurred in the "Ambassador" component of the program and the teacher's salary and fringes associated with a year's leave of absence to pursue graduate studies in a subsequent year. The amount of $110,000 has been appropriated for this program for Fiscal Year 1997.

For additional information contact the Communications and External Relations Division at 217/524-7618.

Urban Education Partnership Grants

This program provides funding on a competitive grant basis to schools within urban school districts in Illinois. The program is intended to improve the academic achievement of students in urban schools through implementing the research principles of effective schools; restructuring schools; and developing collaborative partnerships between schools and businesses, social agencies, higher education, parents and/or local governmental agencies. Funding for this program is provided through General Revenue Funds of $1,450,000 for Fiscal Year 1997. Additional information can be secured by contacting the Community and Family Partnerships Division at 217/782-3370.

Project Success

In the summer of 1991, Governor Edgar asked Lt. Governor Kustra to chair an initiative that would create a human services delivery model to better coordinate health and social service programs in the schools. This initiative became Project Success (School/Community Networks for Successful Families), which began in 1992 with 6 pilot project sites and was expanded in 1993 to 33 additional sites throughout the state. In Fiscal Year 1994, Project Success served 39 sites, directly affecting service delivery to 28,524 students and their families. In Fiscal Year 1995, another 51 communities will be initiated, bringing the State to a total of 90 communities, serving 200 elementary schools and a total of 63,000 children and their families. Eight state agencies and ISBE serve on a Project Success State Steering Committee which is charged with policy direction and administration of the program. Funding for Fiscal Year 1997 comes out of a $3 million line item appropriated to the State Board of Education. This money covers start-up grants to new sites, expansion grants, technical assistance, evaluation and operations.

The nucleus of each site is the Local Governing Board (LGB), comprised of parents, school personnel, local human service agency representatives and businesses. A community-based not-for-profit organization serves as the administrative organization. Sites work through the LGB to identify problems at the elementary school level that interfere with students' academic success and to act on them in a quick and efficient manner. Project Success is a community-based collaborative initiative, focused on early intervention, that encourages communities to maximize the use of existing resources to improve student and family well-being.

The ultimate goal of Project Success is to involve every school and community in Illinois in building a self-sustaining community network of supportive services on behalf of children and their families.

For additional information, contact the Community and Family Partnerships Division at 217/782-3370.

Project Jumpstart

Project Jumpstart supports schools with 50% or fewer students meeting state standards for three consecutive years by funding targeted efforts to improve student achievement. Currently, more than 150 schools meet this criterion.

Twenty-three schools are implementing Jumpstart Projects for Fiscal Year 1997 which provide direct services to students at targeted grades, including tutoring and extended school day programs focusing on reading, writing and mathematics. Staff development services are provided for faculty working in these programs. Support is also provided to the Teachers' Academy for Mathematics and Science which is working with additional Jumpstart eligible schools.

The General Assembly has appropriated $2,000,000 to fund Project Jumpstart during Fiscal Year 1997.

For additional information, contact the Middle Level Education Division at 312/814-3850.

Cicero School District 99

The amount of $50,000 has been reappropriated to the State Board of Education for a study on overcrowding problems and the need for new school construction in Cicero School District 99.

City of Carbondale

The amount of $1,500,000 has been appropriated for a grant to the City of Carbondale "for all costs associated with the planning, engineering, and development of a community unit consolidation."

City of DuQuoin

The amount of $880,000 has been appropriated for a grant to the City of DuQuoin "for all costs associated with the planning, development, engineering, and construction of a new school."

Report Cards

For Fiscal Year 1997, a total of $1,113,600 was appropriated to the State Board of Education for reimbursement of expenses related to printing and distributing report cards pursuant to Sections 10-17a and 34-88 of the School Code.

The law requires that, prior to October 31 each year, school districts submit a report card for each of their schools to parents, taxpayers, the Governor, the General Assembly, the State Board of Education and regional superintendents. The report cards are also to be made available to a newspaper of general circulation serving the districts.

Criminal Background Investigations

For Fiscal Year 1997, a total of $375,000 was appropriated to the State Board of Education for reimbursement of expenses related to the performance of criminal background investigations pursuant to Sections 10-21.9 and 34-18.5 of the School Code.

Giant Steps Pilot Program

The amount of $150,000 has been appropriated for the establishment of the Giant Steps Pilot Program in Darien School District 61 "for the purpose of autism study and evaluation."

Illinois Alliance of Essential Schools

The Illinois Alliance of Essential Schools is part of a nationwide project developed by the Education Commission of the States and the Coalition of Essential Schools, which now includes 10 member states and several networking states. The initiative focuses on restructuring education across the board from the school house to the State House.

For Fiscal Year 1997, $232,000 has been appropriated for this program.

For additional information contact the Middle-Level Education Division at 217/782-5728.

U.S. Senate Youth Program/Hearst Scholarship

The sum of $1,000 has been appropriated from the State Board of Education State Trust Fund to the State Board of Education for costs associated with implementing the U.S. Senate Youth Program/Hearst Scholarship.

Education Reform Program/Joyce Foundation

The sum of $200,000 has been appropriated from the State Board of Education State Trust Fund to the State Board of Education for the Educational Reform Program from the Joyce Foundation.

Education Reform Program/MacArthur Foundation

The sum of $300,000 has been appropriated from the State Board of Education State Trust Fund to the State Board of Education for the Educational Reform Program from the MacArthur Foundation.

Operations

Illinois State Board of Education Administration

The operating expenses of the State Board of Education are met through a combination of state and federal funds. The appropriation from state funds to meet the ordinary and contingent expenses of the Illinois State Board of Education are shown.

Fund Source	Amount
General Operations	$22,765,100
Illinois Purchased Care Review Board	101,800
Preschool Educational Programs Administration	484,000
Teacher Certification and Technology Fund	450,000
Leadership Development Institute Programs	350,000
Illinois Academic and Workplace Standards Project	1,350,000
State Interest Liability (Federal Cash Management Improvement Act)	275,000
ISBE Technology Program	740,000
Total	$26,515,900

An additional $33.9 million is appropriated to the State Board of Education from federal grant funds for operating purposes.

Appropriated to Other State Agencies

Teachers' Retirement Systems

In addition to the amounts appropriated to the State Board of Education for teachers' retirement purposes, additional appropriations are made directly to the two systems.

Downstate $386,148,000

[This amount includes $66,000 for supplementary payments to teachers pursuant to the provisions of Sections 16-135 and 16-149.4 of the Illinois Pension Code (40 ILCS 5/16-135 and 5/16-149.4) plus $8,113,000 for additional costs due to the establishment of minimum retirement allowances pursuant to Sections 16-136.2 and 16-136.3 (40 ILCS 5/16-136.2 and 5/16-136.3) of the Illinois Pension Code.]

Chicago $50,000

School Facility Funding (Capital Development Board)

The School Construction Bond Act authorizes the Capital Development Board to make grants to local school districts for health/life safety, rehabilitation/renovation and new construction. The amounts granted are based upon a "Grant Index" formula which makes comparisons by district type (elementary, high school, and unit) on the basis of the ratio of weighted average daily attendance to the district's equalized assessed valuation per pupil. The amount of the grant index may not be less than 20 percent nor greater than 70 percent of the recognized project costs. Districts are ranked in priority order based on emergencies, health/life safety hazards, and unhoused students. General funding under this grant program was provided under a state bond issue. Funds from that bond issue are exhausted, and no new funding is presently authorized.

School district construction funds may also be appropriated in specific amounts for specific school projects. Obtaining appropriations of this nature is the responsibility of the local district.

A total of $25,765,235 in capital project appropriations or reappropriations (of prior-year appropriations) was made for Fiscal Year 1997 to the Capital Development Board.

Chicago School District 299 (Reappropriations)		$7,998,967[a]
Downstate (Appropriations)		13,202,900[a]
Crete Monee Community Unit School District 201U	$1,400,000	
Indian Prairie Community Unit School District 204	4,243,900	
Bensenville (Elem) School District 2	4,496,000	
Addison School District 4	750,000	
Fairmont School District 89	500,000	
Edwards County Community 1 Unit School District	313,000	
Peoria School District 150	1,000,000	
Marseilles Elem. School District 150	500,000	
Downstate (Reappropriations)		74,773[a]
Mathematics and Science Academy (Reappropriation)		4,488,595[b]
Total		$25,765,235

[a] School Construction Fund
[b] Capital Development Fund

Build Illinois Funding

No school-related Build Illinois projects were appropriated or reappropriated for Fiscal Year 1997.

Statewide School Weatherization Program

The amount of $169,252 for program grants has been reappropriated in Fiscal Year 1997 to the Department of Commerce and Community Affairs for expenses connected with a Statewide School Weatherization Program.

Debt Service for School Construction Bonds

Senate Bill 1260 (Public Act 89-501) appropriates funds for the payment of debt service for bonds previously sold by the State of Illinois for school construction purposes. The appropriated principal amount is $12,982,721 and the appropriated interest amount is $4,183,196 for Fiscal Year 1997.

Illinois Department of Corrections School District

The Illinois Department of Corrections, through the Department of Corrections School Board, operates a school district. The Department of Corrections appropriations bill contains $32,745,100 million for the operation of the school district for Fiscal Year 1997. No General State Aid assistance is provided to this district, but the district is eligible for certain categorical state funding and federal program funding.

Illinois Mathematics and Science Academy

The Illinois Mathematics and Science Academy is a three-year residential institution funded by state appropriations, private contributions and endowments. Admission to the Academy is determined by competitive examination and recommendations from the students' mathematics and science teachers and their school principal or guidance counselor. During the ninth year of operation, approximately 650 high-school-age students from across Illinois are enrolled at the Academy's Aurora site.

Public Act 85-1019 transferred supervisory responsibility for the Academy from the Illinois State Board of Education to the Board of Higher Education.

A total of $13,367,800 was appropriated for the operating expenses of the Academy for Fiscal Year 1997. An additional $572,900 was appropriated for retirement contributions.

For additional information concerning the Illinois Mathematics and Science Academy, contact the Board of Higher Education, Springfield, at 217/782-2551 or the Academy in Aurora at 708/907-5000.

Prairie State 2000 Authority

The sum of $1,256,200 has been appropriated from the General Revenue Fund to the Prairie State 2000 Authority for tuition and educational fee vouchers on behalf of individuals for Fiscal Year 1997.

Literacy Services

Senate Bill 730 (1985) created a Literacy Advisory Board to advise the Secretary of State and authorized the Secretary of State to administer a program of grants to combat illiteracy in Illinois.

A Fiscal Year 1997 appropriation of $5 million was made to the Secretary of State for support and expansion of literacy programs administered by education agencies, libraries, volunteers or community-based organizations, or a coalition of any of the above. An additional $1,293,358 was appropriated for grants to school libraries. An appropriation of $1,500,000 from the Live and Learn Fund was made to the Secretary of State to support and expand the Family Literacy Programs.

For additional information, contact the Literacy Office Coordinator, Office of the Secretary of State, 431 South Fourth Street, Springfield, Illinois 62701, telephone 217/785-6921.

Illinois Educational Labor Relations Board

A total of $1,242,100 was appropriated in Fiscal Year 1997 for the operating expenses of the Illinois Educational Labor Relations Board. This board oversees the administration of state law, with respect to collective bargaining in Illinois public educational programs.

Chicago School Finance Authority

The Chicago School Finance Authority (CSFA), under the provisions of Article 34A of the School Code, exercises financial control over Chicago Public School District 299. Each year, the CSFA adopts a budget for its operations. Funding for the CSFA comes from the district's General State Aid allocation. For Fiscal Year 1997, nothing will be paid to the CSFA; it has a sufficient carryover from Fiscal Year 1996 to cover its reduced expenses this year.

Summary of State Funding
Fiscal Year 1997

Appropriated to the State Board of Education		
General State Aid		$2,377,571,500
Supplementary (Hold-harmless) Payments		23,200,000
Interest on Deferred General State Aid Payments		1,252,300
Supplementary State Aid for New and Certain Annexing Districts		11,000,000
Educational Service Regions		8,106,800
Salaries of Regional Superintendents and Assistant Regional Superintendents	$ 6,461,500	
Audits	603,300	
Supervisory Expense Fund	102,000	
City of Chicago Responsibilities	940,000	
Tuition of Children from Orphanages, Children's Homes, or in State-Owned Housing		12,453,200
Tax-Equivalent Grant		172,800
Teachers' Retirement Systems		62,981,700
Chicago	$ 62,044,700	
Early Retirement Incentive Program (Section 16-133.5 of the Illinois Pension Code)	937,000	
Pupil Transportation		262,854,200
Regular and Vocational	$ 132,000,000	
Special Education	125,584,200	
Parent or Guardian Grant Program	5,120,000	
School Bus Safety Control Devices	150,000	
Driver Education		16,515,000
Program Reimbursement	$ 15,750,000	
Administration	765,000	
Adult Education and Literacy		22,005,300
Section 3-1, Adult Education Act	$ 10,277,200	
Public Assistance	10,068,200	
Basic	1,659,900	
Special Education		474,117,500
Personnel	$ 209,831,300	
Private Tuition	31,316,200	
Extraordinary	101,071,500	
Orphanages	110,478,600	
Summer School	3,131,800	
Community and Residential Services Authority	262,400	
Philip J. Rock Center and School/Materials for Visually Impaired	3,325,700	
Regional Low-Incidence Handicapped	1,500,000	
Early Intervention--Infants and Toddlers	12,000,000	
Regular Education Initiative Programs	1,200,000	
Recording for the Blind and Dyslexic		150,000
Life Education Center Foundation		275,000
Illinois State Free Lunch and Breakfast Programs		15,650,000
Bilingual Education		54,637,000
Chicago	$ 31,209,000	
Downstate	23,028,000	
Statewide Bilingual Assessment Program	400,000	
Vocational Education		55,073,800
Basic Programs	$ 46,874,500	
Vocational Education Retraining (Vocational Instructor Practicum)	1,512,700	
Vocational Education Technical Preparation Programs	5,000,000	
Illinois Student Apprenticeship System	1,000,000	
Illinois Council on Vocational Education	86,600	
Partnership Academies	600,000	

Education to Careers: Career Awareness and Development Initiative		$ 1,057,300
Gifted Education		19,695,800
Learning Improvement and Quality Development		9,586,800
Public and Nonpublic Textbook Loan Program		9,192,100
Preschool Educational Programs for At-Risk 3-5-Year-Olds		112,190,400
Early Childhood Parental Training		3,911,100
Prevention Initiative At-Risk Pilot Programs		2,000,000
Block Grants (Section 1C-2 of the School Code)		25,127,500
Block Grants/School Safety and Educational Improvement Programs		52,500,000
Substance Abuse and Violence Prevention Program		5,468,300
K-6 Planning District-wide Comprehensive Arts Program		499,700
Certification Testing (Basic Skills and Subject Matter Knowledge)		550,000
Illinois Goal Assessment Programs (Operational Expenses and Technical Assistance)		5,740,000
Reading Improvement, Grades K-6		45,389,500
Implementation of Computer Technology in the Classroom/Technology for Success Program		30,000,000
Consumer Education Proficiency Test Development		150,000
Educational Service Centers/Regional Offices of Education		11,771,400
Illinois Administrators' Academy		887,500
Teachers' Academy for Mathematics and Science (Chicago)		1,050,000
Dropout and Alternative Education Programs		17,460,000
ROE Alternative Education Programs		15,000,000
Program Evaluations		200,000
Governmental Student Internship Program		129,900
Hispanic Student Programs		374,600
Agricultural Education Program		1,299,800
Center on Scientific Literacy/Scientific Literacy Promotion Programs		9,783,000
Minority Transition Program		300,000
Illinois Scholars Program		1,104,300
Illinois Teacher of the Year Award		110,000
Urban Education Partnership Grants		1,450,000
Project Success		3,000,000
Project Jumpstart		2,000,000
Cicero School District 99 (Reappropriation)		50,000
City of Carbondale		1,500,000
City of DuQuoin		880,000
Report Cards (Printing and Distributing)		1,113,600
Criminal Background Investigations		375,000
Giant Steps Pilot Program/Darien School District 61		150,000
Illinois Alliance of Essential Schools, Projects and Programs		232,000
U.S. Senate Youth Program/Hearst Scholarship		1,000
Education Reform Programs/Joyce Foundation		200,000
Education Reform Programs/MacArthur Foundation		300,000
Illinois State Board of Education		26,515,900
General Operations	$ 22,765,100	
Illinois Purchased Care Review Board	101,800	
Preschool Educational Programs Administration	484,000	
Teacher Certification and Technology Fund	450,000	
Leadership Development Institute Program	350,000	
Illinois Academic and Workplace Standards Project	1,350,000	
State Interest Liability (Federal Cash Management Improvement Act)	275,000	
ISBE Technology Program	740,000	
Subtotal		$3,818,312,600

Appropriated to Other State Agencies		
Teachers' Retirement Systems		$ 386,198,000
Downstate	$ 346,565,500	
Supplementary (Downstate)	31,403,500	
Supplementary (Chicago)	50,000	
Supplementary Payments, Sections 16-135 and 16-149.4 of the Illinois Pension Code (Downstate)	66,000	
Additional Costs Due to Establishment of Minimum Retirement Allowances, Sections 16-136.2 and 16-163.3 of the Illinois Pension Code (Downstate)	8,113,000	
Capital Development Board (Appropriations and Reappropriations)		25,765,235
Chicago	$ 7,998,967	
Downstate	13,277,673	
Mathematics and Science Academy	4,488,595	
Commerce and Community Affairs		169,252
Reappropriation for Statewide School Weatherization Program	$ 169,252	
State Treasurer:		
School Construction Bonds-Debt Service		17,165,917
Principal	$ 12,982,721	
Interest	4,183,196	
Illinois Department of Corrections School District		32,745,100
Illinois Mathematics and Science Academy		13,940,700
Operating Expenses	$ 13,367,800	
Retirement Contributions	572,900	
Prairie State 2000 Authority		1,256,200
Tuition and Educational Fee Vouchers	$ 1,256,200	
Secretary of State		7,793,358
Literacy	$ 5,000,000	
Family Literacy	1,500,000	
Grants to School Libraries	1,293,358	
Illinois Educational Labor Relations Board		1,242,100
Subtotal		**$ 486,275,862**
TOTAL		**$4,304,588,462**

Funds in this chart appropriated to the State Board of Education from the Common School Fund, the Driver Education Fund, the Education Assistance Fund, the General Revenue Fund and other special funds are in Public Act 89-501 (Senate Bill 1260). Appropriations to other State agencies are also in Public Act 89-501.

SUMMARY

State Appropriations by Fund
Elementary and Secondary Education
Fiscal Year 1997

	State Board of Education	Other State Agencies	Total
Common School Fund	$1,924,820,300	$346,565,500	$2,271,385,800
General Revenue Fund	1,296,744,300	61,386,152	1,358,130,452
Education Assistance Fund	573,000,000	773,500	573,773,500
State Pensions Fund	-0-	31,450,306	31,450,306
School Construction Fund	-0-	21,276,640	21,276,640
General Obligation Bond Retirement and Interest Fund	-0-	17,165,917	17,165,917
Driver Education Fund	16,515,000	-0-	16,515,000
Early Intervention Services Revenue Fund	6,000,000	-0-	6,000,000
Capital Development Fund	-0-	4,488,595	4,488,595
Live and Learn Fund	-0-	1,500,000	1,500,000
Secretary of State Special Services Fund	-0-	1,000,000	1,000,000
State Board of Education State Trust Fund	733,000	-0-	733,000
Illinois Mathematics and Science Academy Income Fund	-0-	500,000	500,000
Teacher Certification and Technology Fund	450,000	-0-	450,000
Petroleum Violation Fund	-0-	169,252	169,252
Build Illinois Bond Fund	50,000	-0-	50,000
Total Appropriations and Reappropriations, All Funds	**$3,818,312,600**	**$486,275,862**	**$4,304,588,462**

PART II
Federal Education Programs

This part provides a brief overview of the educational programs in Illinois' common schools supported by federal funding. The following sections reflect the Fiscal Year 1997 federal grant awards to the state of Illinois. A financial summary detailing approximate amounts available for Illinois schools and for state administration of programs during Fiscal Year 1997 is provided at the end of this chapter. This chart reflects the state appropriation level for both current Fiscal Year 1997 and carryover Fiscal Year 1996 grant funds. The federal fiscal year is October 1 through September 30. Unless otherwise noted, references in this part to a fiscal year mean the federal fiscal year.

Compensatory Education

Improving America's Schools Act, Title I, Public Law 103-382, Helping Disadvantaged Children Meet High Standards. During Fiscal Year 1997, grants will enable schools to provide opportunities to help children served acquire the knowledge and skills necessary to meet challenging state standards developed for all children. The Fiscal Year 1997 federal grant for this program is $318,069,545. For further information, contact the Grants Management Division at 217/782-3810.

Improving America's Schools Act, Title I, Public Law 103-382, Neglected and Delinquent Children. Funds are provided to the Illinois State Board of Education for planning, development and funding of supplementary educational programs for qualifying children in private or state institutions for neglected or delinquent children including both adult and juvenile correctional institutions. The Fiscal Year 1997 federal grant is allocated for implementation of adult and juvenile corrections projects, while some monies are reserved for projects serving children in private institutions. For further information, contact the Intermediate and Secondary Education Division at 217/782-5728.

Improving America's Schools Act, Public Law 103-382, State Program Improvement Grants. During Fiscal Year 1997, grants will be made to Regional Offices of Education and Intermediate Service Centers to assist local education agencies that identify schools whose achievement of Title 1 children has shown inadequate improvement or who are eligible to plan for schoolwide programs. The Fiscal Year 1997 Federal grant for this program is $1,112,474. For further information, contact the Innovation and Reform Support Division at 312/814-3850.

Improving America's Schools Act, Title I, Public Law 103-382, Capital Expenses/Private Schools. During Fiscal Year 1997, grants will be made to local education agencies to reimburse capital expenses incurred during the fiscal year as a result of providing equitable services to eligible private school children. The Fiscal Year 1997 Federal grant for this program is $1,422,234. For further information, contact the Grants Management Division at 217/782-3810.

Improving America's Schools Act, Title I, Public Law 103-382, Handicapped Children. The purpose of this program is to provide supplemental funds for children and youth with disabilities who are served in state-supported/state-operated facilities. This program was merged with Parts B and H of the Individuals with Disabilities Act in Fiscal Year 1996.

Ten million dollars has been appropriated for Fiscal Year 1997.

For additional information, contact the Information and Reception Center at 217/782-4321.

Improving America's Schools Act, Title I, Public Law 103-382, Migrant Children. Grants are made to the state educational agency to fund 21 programs, one of which is at a state university and two, at private, nonprofit organizations which develop supplemental educational programs to meet the unique needs of children of itinerant agricultural workers and agricultural workers who have settled out of the migrant stream. Technical assistance and inservice activities are provided by staff of the State Board of Education. The Fiscal Year 1997 federal grant totals $1,795,060. For further information, contact the Innovation and Reform Support Division at 312/814-3850.

Improving America's Schools Act, Title I, Public Law 103-382, Even Start Family Literacy Program. The purpose of the Even Start Family Literacy Program is to integrate early childhood education and adult education for parents into a project that builds on existing community resources.

Now in its eighth year, the program was administered directly by the federal government until July 1, 1992. The program now is administered by the Illinois State Board of Education. In prior years, this appropriation was included under Chapter 1; in Fiscal Year 1997, a separate appropriation has been made. Twenty-four projects are currently funded in Illinois. The total grant to the state for this year is $4,412,438.

Improving America's Schools Act, Title II, Public Law 103-382. The purpose of Title II of the Improving America's Schools Act (the Dwight D. Eisenhower Professional Development Program) is to provide sustained and intensive high-quality professional development in mathematics and science. Depending upon annual appropriation levels, a portion of the funds may be spent for professional development in other core subject areas.

During Fiscal Year 1997 approximately $9.1 million is available to local education agencies for the benefit of public and nonpublic teachers and their students. In addition, approximately $509,787 supports demonstration and exemplary programs, and approximately $509,787 facilitates technical assistance, assessment and evaluation, and program administration services.

Allocations to local education agencies are made as follows:

- Fifty percent of the funds is distributed in proportion to public and nonpublic school enrollment.
- Fifty percent of the funds is distributed in proportion to IASA, Title I grants in the state.

For further information, contact the Grants Management Division at 217/782-3810.

Improving America's School Act, Title VI, Public Law 103-382, Innovation Education Program Strategies, (formerly ESEA, Chapter 2). Title VI supports local education reform efforts and efforts to accomplish the National Education Goals and provides a continuing source of innovation and educational improvements to meet the special educational needs of at-risk and high-cost students.

During Fiscal Year 1997, $19.9 million has been allocated to local school districts for the benefit of public and nonpublic students. Seventy percent of these funds is distributed according to the 1996 public and nonpublic Fall Housing Enrollment. Thirty percent of these funds is distributed according to the number of economically disadvantaged students, defined as IASA, Title 1 eligibles and determined by the 1990 United States Census. In addition, $1.3 million is used to support direct services to local educational agencies.

For further information, contact the Grants Management Division at 217/782-3810.

Improving America's Schools Act, Title VII, Public Law 103-382, Bilingual-Education, Language-Enhancement, and Language-Acquisition Programs. For Fiscal Year 1997, ISBE has been appropriated $86,800 to provide technical assistance to LEAs and gather data on bilingual education in Illinois. For further information, contact the Innovation and Reform Support Division at 312/814-3850.

Special Education

Special Education Preschool Grants, IDEA. IDEA provides for the implementation of preschool grants to assist in the education of children with disabilities who are age three through five. Services are provided by local school districts, special education cooperatives, regional programs and state-operated schools. The Fiscal Year 1997 federal preschool grant totals approximately $16 million. Seventy-five percent of this amount goes to local districts, with the remainder supporting special discretionary projects and state administra-tive costs.

Individuals with Disabilities Education Act, Part C, Deaf/Blind Centers. During Fiscal Year 1997, the Deaf/Blind Federal Assistance Program will be primarily operated through a subgrant to the Philip J. Rock Center and School. The focus of the grant is on deaf/blind children, ages birth to three, with some services to students who have graduated but are not yet 22 years old. The total grant awarded is $225,000 for Fiscal Year 1997.

Special Education Medicaid Matching Fund. This program provides supplemental funds for special education and related services pursuant to an individualized education program or individualized family service plan, as well as screening and diagnostics for students between the ages of birth and 21 eligible for Medicaid. Illinois will also pursue matching funds for administrative end-service costs under Part H.

It is estimated that 60,000 students with disabilities receiving special education services are also eligible for Medicaid.

The Illinois Department of Public Aid will process the claims and draw down the federal funds for deposit into this account. The Illinois State Board of Education will flow the payments at 50% of allowable costs to the school district, special education cooperative and regional program providing the services.

For Fiscal Year 1997, $120,000,000 has been appropriated for this program.

Illinois Purchased Care Review Board. The Governor's Purchased Care Review Board was redesignated the Illinois Purchased Care Review Board and placed under the State Board of Education for administration and staff support by Senate Bill 465 (Public Act 89-21) effective July 1, 1995. The amount of $202,100 in federal funds was appropriated for operational expenses of the board for Fiscal Year 1997.

Training Personnel for the Education of the Handicapped—Grants to State Educational Agencies. Part D of IDEA grants under this program assist states to establish and maintain inservice programs to prepare personnel to meet the needs of children with disabilities, consistent with the personnel needs identified in the state's Comprehensive System of Personnel Development (CSPD) plan. Inservice activities are provided to regular and special education teachers and administrators, parents and related services personnel who are providing educational services to children and youth with disabilities. The Fiscal Year 1997 appropriation for this program is $279,800. For more information, contact the Professional Development Division at 217/524-4832.

Special Education Program Information. For additional information concerning either federal- or state-funded programs for special education services, contact the Information and Reception Center at 217/782-4321.

Equal Educational Opportunity

Title IV of the Civil Rights Act of 1964. This program, administered by the Center for Professional Development, Standards and Accountability, is made possible by a grant from the United States Department of Education. It offers informational resources, consultant services and staff training to local school districts in meeting needs related to the elimination and prevention of discrimination on the basis of race, gender and national origin and the promotion of educational equity.

Although the program is authorized and prepared to meet a broad range of educational equity concerns, during Fiscal Year 1997 the focus will be primarily on four important areas of need; preparing teachers for effective service in schools with culturally diverse populations; integrating multicultural, gender-fair content in the regular curriculum; promoting fair and effective school discipline; and preventing sexual harassment in schools.

For further information, contact the Center for Professional Development, Standards and Assessment at 312/814-2222.

Emergency Immigrant Education Program, Emergency Immigrant Education Act of 1984, Public Law 98-511. This Act provides funding grants to state education agencies for local education agencies that are providing public education services to eligible immigrant children who have been attending school in the United States for less than three complete academic years. Eligible immigrant children will include only the children of lawful, permanent, resident aliens; refugees; persons granted asylum; parolees; persons of other immigrant status; and immigrant residents in the United States without proper documentation. Eligible immigrant children must be counted during a federally prescribed enrollment period. Eligible school districts are those in which the number of immigrant children who are enrolled is equal to at least 500, or three percent of the total number of students enrolled. The Fiscal Year 1997 federal grant totals approximately $4 million. For further information, contact the Innovation and Reform Support Division at 312/814-3850.

Educational Research. For Fiscal Year 1997, $110,300 has been appropriated from the Federal Department of Education Fund for operational expenses for Educational Research.

School Lunch Act and Child Nutrition Programs

National School Lunch Program. This voluntary program is open to all public schools, private schools and residential child-care institutions which agree to operate a nonprofit lunch program, offer school lunch meals meeting federal requirements to all children in attendance, and protect the anonymity of students eligible for free or reduced-price meals. The federal lunch requirement is designed to provide one-third of the students' daily nutritional requirements. To enable schools to provide low-cost lunches to students, a flat rate of reimbursement is paid on all lunches meeting these requirements, with additional reimbursement paid for lunches served to students eligible for free or reduced-price meals. Approximately $199.8 million of federal funds has been allocated to this program for Fiscal Year 1997.

The federal income guidelines for free and reduced-price meals during Fiscal Year 1997 are as follows:

Meal Program Participation
Income Guideline Levels

Household Size	Level for Free Meals Annual	Month	Week	Level for Reduced-Price Meals Annual	Month	Week
1	$10,062	$ 839	$194	$14,319	$1,194	$276
2	13,468	1,123	259	19,166	1,598	369
3	16,874	1,407	325	24,013	2,002	462
4	20,280	1,690	390	28,860	2,405	555
5	23,686	1,974	456	33,707	2,809	649
6	27,092	2,258	521	38,554	3,213	742
7	30,498	2,542	587	43,401	3,617	835
8	33,904	2,826	652	48,248	4,021	928
Each additional family member add	+3,406	+284	+66	+4,847	+404	+94

Income is defined as any monies earned before any deductions such as income taxes, social security taxes, insurance premiums, charitable contributions, and bonds. It includes the following: (1) monetary compensation for services, including wages, salary, commissions or fees; (2) net income from non-farm self-employment; (3) net income from farm self-employment; (4) social security; (5) dividends or interest on savings or bonds or income from estates or trusts; (6) net rental income; (7) public assistance or welfare payments; (8) unemployment compensation; (9) government civilian employee or military retirement or pensions or veteran payments; (10) private pensions or annuities; (11) alimony or child support payments; (12) regular contributions from persons not living in the household; (13) net royalties; and (14) other cash income. Other cash income would include cash amounts received or withdrawn from any source including savings, investments, trust accounts, and other resources which would be available to pay the price of a child's meal.

Local program sponsors determine eligibility for free or reduced-price meals utilizing the federal income guidelines.

Federal reimbursement rates for lunches, for the period July 1, 1996, through June 30, 1997, are as follows:

Reimbursement Rates for National School Lunch Program

Free Lunch	$1.8375
Reduced-Price Lunch	$1.4375
Paid Lunch	$ .1775

Reimbursement rates are increased by two cents for all sponsors having 60 percent or more free and reduced-price lunches in the second preceding school year. Federal guidelines provide that the maximum charge to the child for a reduced-price lunch is 40 cents. In addition, Illinois provides state reimbursement of up to 12.25 cents for each free lunch served to an eligible child.

School Breakfast Program. This voluntary program is open to all public schools, nonprofit private schools, and residential child-care institutions that agree to operate a nonprofit breakfast program. Program sponsors must offer breakfast meals meeting federal requirements to all children in attendance and agree to protect the anonymity of students eligible for free or reduced-price meals. To enable schools to provide low-cost breakfasts to students, reimbursement rates are $0.1975 for paid breakfasts, $0.7175 for reduced-price breakfasts, and $1.0175 for free breakfasts. Reimbursement rates are increased by $0.2000 for schools approved as eligible for School Breakfast Program severe need reimbursement. In addition, Illinois provides a maximum state reimbursement of 12.25 cents for each free breakfast served to an eligible child. The maximum charge to a child for a reduced-price breakfast is 30 cents.

Approximately $31.8 million of federal funds has been allocated to this program for Fiscal Year 1997.

Special Milk Program. This voluntary program is open to all public schools, private schools, residential child-care institutions, day-care centers, and camps that agree to operate a nonprofit milk program. Participation is limited to organizations which do not operate a federal feeding program or which have half-day kindergarten classes that do not have access to a federal feeding program. The intent of the program is to encourage and establish the habit of drinking fresh, fluid milk as a nutritious beverage. Reimbursement is provided to participating sponsors for all milk served; the one-half pint reimbursement rate is 12.25 cents. In addition, milk served free to eligible needy children is reimbursed at the average dairy charge.

Approximately $3.1 million has been allocated to this program for Fiscal Year 1997.

Summer Food Service Program. This voluntary program is open to public or nonprofit private schools; residential camps; state, local, municipal, or county government entities; and private non-profit organizations. The intent of the program is to serve nutritious meals during the summer months to children who during the regular school year received free or reduced-price meals under the National School Lunch and School Breakfast programs. If it can be documented that one-half of the pupils in the area served by the sponsor are eligible for free or reduced-price meals during the regular school year, then all children in the area may receive free meals. Reimbursement is available based on the number of meals served to eligible participants. Additional reimbursement is available to assist sponsors in covering administrative costs incurred in operating a summer feeding program. Approximately $11.5 million has been allocated to this program for Fiscal Year 1997.

Child and Adult Care Food Program. This program is designed to encourage the serving of nutritious meals to children attending child-care centers and family day-care homes. It is a voluntary program open to family day-care homes, child-care centers, Head Start centers and outside-school-hour centers which are licensed by the Department of Children and Family Services (DCFS). All sponsors must be either federally tax-exempt or for profit and have a minimum of 25% of enrolled children funded by DCFS and/or Public Aid. Meals eligible for reimbursement include breakfast, morning and afternoon supplements, lunch and supper.

Family day-care homes are reimbursed at the rate of $0.8625 for each breakfast, $0.4700 for each supplement and $1.5750 for each lunch or supper served. Additional reimbursement is provided to sponsors of family day-care homes to cover administrative costs.

Child-care centers are reimbursed in the same manner as in the National School Lunch and Breakfast Programs. Reimbursement rates are as follows:

	Free	Reduced-Price	Paid
Breakfast	$ 1 .0175	$ .7175	$ .1975
Lunch/Supper	1.8375	1.4375	.1775
Supplement	.5050	.2525	.0450

Approximately $70.1 million has been allocated to this program for Fiscal Year 1997.

Food Distribution Program. The Food Distribution Program is designed to help program sponsors reduce the cost of providing meals and to help achieve maximum utilization of agriculture surplus. This voluntary program is open to all public and nonprofit private schools, institutions, summer camps, and summer food service programs. The U.S. government-donated commodities are made available to participating sponsors based upon the average number of meals served daily to eligible participants.

Approximately $30 million worth of food will be distributed in Fiscal Year 1997.

Nutrition Education and Training Program, Public Law 95-166. The Nutrition Education and Training Program developed in Illinois includes four basic goals: 1) to facilitate a nutrition education process which helps Illinois children to make informed food choices during their formative years; 2) to enhance teachers' ability to integrate sound nutrition information into the curriculum at each grade level; 3) to delineate and strengthen the role of school food service personnel in food service and nutrition education; and 4) to identify, compile, evaluate, develop, and provide nutrition education curriculum materials to educational institutions.

Using federal funds, the Illinois State Board of Education funds three regional centers each school year. These centers offer a network to provide resources and services. Additionally, mini-grants are available to local education agencies for the development of programs and materials. The federal grant award being used to fund these projects for Fiscal Year 1997 is approximately $650,000.

Persons interested in receiving additional information about any of the child nutrition programs available in Illinois should contact the Financial Outreach Services Division at 800/545-7892 or 217/782-2491.

Adult, Vocational and Technical Education

Vocational education programs in Illinois are supported through both federal and state funds. This appropriation focuses on concentrating resources for improving educational programs and providing support services to special population students leading to academic and occupational skill competencies needed to work in a technically advanced society. During Fiscal Year 1997, the basic state grant is $37,624,138.

Specifically, the grant to Illinois is allotted as follows:

- 5 percent for State Administration,
- 8.5 percent for State Leadership,
- 75 percent for local funds distribution,
- 10.5 percent for individuals who are single parents or displaced homemakers and for individuals who are in programs designed to eliminate sex bias and sex-role stereotyping, and
- 1 percent for corrections education.

Illinois Council on Vocational Education (ICoVE). Federal law requires all states receiving federal funds for Vocational Education to establish a State Council on Vocational Education to carry out specified roles and responsibilities. Members of the Illinois Council on Vocational Education (ICoVE) are appointed by the Governor of Illinois, as designated by the federal act. Membership includes seven individuals representing the private sector and six members representing the education community.

For Fiscal Year 1997, the Illinois Council on Vocational Education was appropriated $293,100 of federal funds from the U.S. Department of Education to fulfill its responsibilities.

Job Training Partnership Act (JTPA), Public Law 97-300, Title I, State Education Coordination and Grants, Section 123. The Secretary of the U.S. Department of Labor allots to the Governor for allocation to any state education agency the sums made available to pay for the federal share of costs for carrying out projects that

1. provide school-to-work transition services that have been demonstrated effective and that increase the rate of graduation from high school and other services that increase school dropouts' return rate to regular or alternative schooling (may include services to support multi-year dropout prevention programs);
2. provide literacy and lifelong learning opportunities and services of demonstrated effectiveness to enhance the knowledge and skills of educationally and economically disadvantaged individuals;
3. provide statewide coordinated approaches including model programs to train, place, and retain women in nontraditional employment; and
4. facilitate coordination of education and training services for eligible participants in projects described in subparagraphs (1), (2), and (3) of Section 123.

Funds available under this section may also be used for schoolwide projects, provided certain poverty and disadvantaged population criteria are met.

Cooperative agreements with administrative entities in Service Delivery Areas (SDAs) aid in coordination and collaboration of services. The Fiscal Year 1997 grant to the Illinois State Board of Education is $2,252,285.

Vocational Education/Technical Preparation. In Fiscal Year 1997, $3,986,970 in federal funding was available to develop and operate Technical Preparation programs. Programs must 1) be carried out in an articulation agreement; 2) consist of the two years of secondary school preceding graduation and two years of community college or an apprenticeship program of at least two years with a common core in mathematics, science, communications and technologies; 3) include the development of Technical Preparation curricula; 4) include inservice training for teachers and counselors; 5) provide equal access for special populations; and 6) provide for preparatory services.

Persons interested in receiving additional information should contact the Illinois State Board of Education, Workforce Preparations Partnership Division at 217/782-4620.

Learning Technology for Schools Program

The amount of $1,000,000 has been appropriated from the ISBE National Science Foundation Fund for Operational Costs of the Learning Technology for Schools Program.

Education-to-Careers (School-to-Work) Program. The purpose of this interagency initiative is to implement a statewide system of education-to-careers transition that will provide in-school youth and recent dropouts with school-based services, work-based learning and appropriate connecting activities to enable them to transition smoothly from a school setting to the workplace.

This system will serve high school youth and community college youth and adults in pursuing a course of studies in preparation for a high skill, high wage career. Services will include rigorous academic instruction, workplace and implementation skills instruction, technical instruction based on industry defined skills, and work based learning.

Funds will be dispersed to 39 Illinois local partnerships to support planning activities designed to build system components at the local level.

Federal Adult Education Act–Public Law 100-297. This program provides funding for instruction for adults, 16 years of age and older, who are not otherwise enrolled in school and have not successfully completed the secondary level. These funds support basic education instruction, English as a second language, literacy programs (family, workplace and volunteer), courses to complete a high school diploma or prepare for the General Education Development (GED) test, and competency-based education programs. Priority is given to serving persons defined as educationally disadvantaged, i.e., 0-5.9 reading level.

Local education agencies, community colleges, and private nonprofit agencies may apply directly for these funds, provided they participate in an adult education area planning council. Local education agencies may also enter into cooperative arrangements with public and private agencies to provide these services. Participation is by application to ISBE. The Fiscal Year 1997 federal grant totals approximately $10.2 million. Additionally, the state appropriated $11,937,100 under the state match and maintenance of effort requirements.

Adult, Vocational and Employment Program Information. Information concerning both state and federal programs of adult, continuing, vocational and employment training and education can be obtained from the Center for Business, Community and Family Partnerships at 217/782-4870.

Special Federal Programs

Improving America's Schools Act, Title IV, Public Law 103-382, Safe and Drug-Free Schools and Communities. Under Title IV of IASA, Safe and Drug-Free Schools and Communities, federal financial assistance is available to establish drug abuse education and violence prevention programs in schools and other settings.

A local school district or intermediate education agency or consortium (including Regional Offices of Education and Intermediate Service Centers) may receive funds based upon programs and applications approved by the Illinois State Board of Education.

During Fiscal Year 1997, approximately $13.7 million is allocated to local education agencies; seventy percent is distributed in proportion to public and nonpublic school enrollments and thirty percent is distributed to LEAs with the greatest need. Approximately $1,358,350 supports training and technical assistance programs, demonstration projects, development and dissemination of curriculum materials and administrative costs.

For further information, contact the Grants Management Division at 217/782-3810.

School Health Personnel Training. This project is funded by the Centers for Disease Control (CDC) for the development of a technical assistance delivery system in Illinois for comprehensive health and HIV/AIDS education. Through the training of school staff and delivery of technical assistance, students will become more knowledgeable about comprehensive health issues. ISBE will receive approximately $325,900 during Fiscal Year 1997.

Stewart B. McKinney Homeless Assistance Program—Children

The Illinois State Board of Education receives funds annually from the United States Department of Education to administer the Education for Homeless Children and Youth Program authorized under the Stewart B. McKinney Homeless Assistance Act (PL 100-77) as amended. Funds are made available under the Act specifically to facilitate the enrollment, attendance and school success of school-age children of homeless individuals and homeless youths.

Fourteen grants and one state-wide technical assistance project are funded with $1,057,820 granted to Illinois for Fiscal Year 1997.

Carnegie Foundation Grant

Illinois is one of 15 states receiving a grant from the Carnegie Corporation of New York, matched by an equal amount in state dollars, to implement a plan for restructuring middle-grades education with special emphasis on providing students with accurate information about health, creating a healthy environment, ensuring access to critical health and mental health services, and integrating curriculum assessed by applying knowledge and skills to real-life situations. The private philanthropic foundation is providing the state with more than $600,000 over a five-year period.

Recommendations identified as key to effective middle-grades education include

- Creating small communities for learning,

- Teaching a core academic program,
- Ensuring success for all students,
- Empowering teachers and administrators to make decisions about the experiences of middle grade students,
- Staffing middle grade schools with teachers who are experts at teaching young adolescents,
- Improving academic performance through fostering the health and fitness of young adolescents,
- Reengaging families in the education of young adolescents, and
- Connecting schools with communities.

Individuals interested in learning more about the State's middle school initiative should contact the Innovation and Reform Support Division at 217/524-4832.

Common Core Data Survey

These funds are used to offset travel, administration, and other costs associated with the State Board of Education's participation in the National Cooperative Statistics System which was established in 1988. Thirty-two thousand dollars has been appropriated for this program for Fiscal Year 1997.

This funding provides for

- Attendance by the Illinois Liaison at two meetings a year of the National Forum on Education Statistics, a group composed of State and federal representatives;

- Attendance by management, information and research staff members at two annual conferences; and

- Development of data systems which will allow more comparable education data.

Goals 2000: Educate America Act

The "Goals 2000: Educate America Act" (20-USC5889) authorizes the Illinois State Board of Education to make competitive awards to local educational agencies to develop and implement systemic educational reform consistent with the State Goals for Learning and the Illinois Public School Accreditation Process, as described in the State Board's rules for Public Schools' Evaluation, Recognition and Supervision. Resources made available through these grants will assist LEAs with improvement efforts as defined in their local School Improvement Plan. Through this process, schools will choose how to develop services and programs so that all students can meet the locally developed standards that are aligned with State and national goals.

The development of services and programs should integrate all available resources (e.g., vocational/technical, gifted, bilingual, Special Education, Title I, and other categorical programs) to create a unified, efficient and effective delivery of services to all students.

Districts may apply for a grant to develop or implement a districtwide plan for school improvement, to improve educator preservice programs including how to work effectively with parents and the community, and to support continuing sustained professional development activities for educators and school administrators or related services personnel working with educators which will increase student learning.

The total amount of federal funds available for Fiscal Year 1997 will be approximately $16 million.

For further information, contact the Grants Management Division at 217/782-3810.

Charter Schools Program

For Fiscal Year 1997, $250,000 has been appropriated to the State Board of Education from the Federal Department of Education Fund for costs associated with the Charter Schools Program.

Urban Education (MacArthur Foundation Fund)

The General Assembly appropriated $30,000 for this program for Fiscal Year 1997.

Learn and Serve America (Federal National Community Service Grant)

Learn and Serve America supports school-based programs and their partnership initiatives that provide youth with opportunities to learn and develop their own capabilities through service-learning. Service-learning is an educational method which engages young people in service to their communities as a means of enriching their academic learning, promoting personal growth, and helping them to develop the skills needed for productive citizenship. For Fiscal Year 1997, more than $1 million has been appropriated for this program. The program's goals are to:

- Encourage elementary and secondary school teachers to create, develop and offer service-learning opportunities for all school-age youth;
- Educate teachers about service-learning and how to incorporate these opportunities into classrooms to enhance academic learning;
- Coordinate the work of adult volunteers in schools;
- Introduce young people to a broad range of careers and expose them to further education and training;
- Hire service-learning coordinators to assist with identifying community partners and implementing school-based service-learning programs;
- Provide technical assistance and information to facilitate the training of teachers who want to use service-learning in their classrooms;

- Assist local partnerships in the planning, development, and execution of service-learning projects.

For more information call the Community and Family Partnerships Division at 217/782-3370.

Christa McAuliffe Fellowship

The grant for this program is $40,000 for Fiscal Year 1997.

Telecommunication and Information Infrastructure Program

For Fiscal Year 1997, $750,000 has been appropriated to the State Board of Education from the U.S. Department of Commerce Fund for costs associated with the Telecommunication and Information Infrastructure Program.

Environmental Instructor Practicum

The amount of $46,300 has been appropriated to the State Board of Education from the United States Environmental Protection Fund for operational expenses for a Environmental Instructors Practicum.

Special Federal Programs

School Assistance in Federally Affected Areas, Public Law 81-815. Public Law 81-815 provides assistance to school districts for the construction of school facilities urgently needed because of substantially increased enrollments resulting from federal activity or loss through a major disaster. For further information, contact the Funding and Disbursement Services Division at 217/782-5256.

School Assistance in Federally Affected Areas, Public Law 81-874. Public Law 81-874 was initiated during the early 1950s to compensate school districts for the loss of property tax revenues related to federal property occupancy. Public Law 81-874 will provide about 80 Illinois school districts with approximately $10 million in Fiscal Year 1997. Funds are provided directly to eligible districts by the federal government.

The federal assistance is commonly referred to as Federal Impact Aid. For additional information, please contact the Funding and Disbursement Services Division at 217/782-5256.

Lincoln's Challenge Program

The sum of $1,000,000 has been reappropriated from the Federal Support Agreement Revolving Fund to the Department of Military Affairs for all costs associated with the Lincoln's Challenge Stipend.

For additional information, please contact the Department of Military Affairs, Camp Lincoln, Springfield at 217/785-3500.

School Weatherization Program

In addition to the $169,252 of State funds reappropriated to the Department of Commerce and Community Affairs for a Statewide School Weatherization Program for Fiscal Year 1997, $2,000,000 of federal funds has also been appropriated for this program.

Federal Library Services Fund

Funds were appropriated to the Office of the Secretary of State for library services under the Federal Library Services and Construction Act. Of the $982,686 appropriated under Title III of this Act, an estimated $70,000 will be awarded to school districts for the purchase of equipment and software to develop a database of library materials. Districts receiving these funds from the Office of the Secretary of State should record them under Revenue Account 4490.

At times, grants are available through the Illinois State Library for nonpublic libraries including school districts. Questions should be directed to Amy Kellerstrass, LSCA Coordinator at 217/782-9549.

Summary of Federal Funding for Programs and Administration

		Fiscal Year 1997 Program Funds	Fiscal Year 1997 Administration Funds
Improving America's Schools Act, Public Law 103-382, Title I		$339,514,800	$ 3,787,400
Basic	$317,000,000		
Neglected/Delinquent	1,500,000		
Improvement Grants	1,314,800		
Capital Grants	2,000,000		
Handicapped Children	10,000,000		
Migrant Education	3,200,000		
Even Start	4,500,000		
Title II, Mathematics/Science Professional Development		12,000,000	657,500
Title VI, Innovative Education Program Strategies		12,000,000	3,397,400
Title VII, Bilingual		86,800	
Individuals with Disabilities Education Act (IDEA)		135,000,000	5,395,900
Preschool		25,914,700	1,365,400
Deaf-Blind		255,000	87,700
Infants and Toddlers with Disabilities		24,000,000	1,205,700
Youth with Disabilities		1,500,000	
Special Education Medicaid Matching Fund		120,000,000	
Illinois Purchased Care Review Board			202,100
Personnel Development Part D Training			279,800
Equal Educational Opportunities - Title IV			629,500
Emergency Immigrant Education Program		4,000,000	96,000
Educational Research			110,300
School Food Service/Child Nutrition		320,000,000	5,384,300
Nutrition Education		650,000	
Vocational and Applied Technology Education (Title II)		41,800,000	4,477,600
Basic	$41,500,000		
Curriculum Coordination	300,000		
Illinois Council on Vocational Education			293,100
Job Training Partnership Act (JTPA)		4,489,700[a]	
Vocational Education Technical Preparation		4,350,000	306,800
Learning Technology for Schools Program (National Science Foundation Fund)			1,000,000
Education-to-Careers (School-to-Work) Program		10,000,000[b]	1,000,000
Adult Education		11,000,000	980,700
Safe and Drug-Free Schools and Communities		20,000,000	670,000
Training School Health Personnel			325,900
McKinney Education for Homeless Children		1,347,900	166,500
Carnegie Foundation		200,000	129,300
Common Core Data Survey		32,000	
Goals 2000: Educate America Act		17,484,000	176,700
Charter Schools Program		250,000	
Urban Education (MacArthur Foundation Fund)			30,000
Learn and Serve America (Federal National Community Service Grant)		1,042,000	41,000
Christa McAuliffe Fellowship		40,000	
Telecommunication and Information Infrastructure Program		750,000	
Environmental Instructors Practicum			46,300
Subtotal		**$1,106,088,100**	**$33,864,700**

Federal Impact Aid (Public Laws 815 and 874)	10,000,000[c]	
Lincoln's Challenge Program (Reappropriation)	1,000,000[d]	
School Weatherization Program (Department of Commerce and Community Affairs)	2,000,000	
Federal Library Services Fund, Title III	70,000[e]	
Total	**$1,119,158,100**	**$33,864,700**

[a] Includes $12,000 for Indirect Costs Reimbursement.
[b] U.S. Department of Labor — $10,000,000.
[c] Estimate. These funds flow directly to school districts from the federal government.
[d] Department of Military Affairs/Federal Support Agreement Revolving Fund
[e] Estimate. These funds flow directly to school districts from the Secretary of State.

NOTE: Appropriations contained in this chart are appropriated per Public Act 89-501 (Senate Bill 1260). There was no state appropriation for Federal Impact Aid; this line item is an estimate.

PART III
Recent State Legislation

This part provides brief synopses of recently enacted legislation affecting instructional programs, board responsibilities, school district accounting practices, and other financial issues. Persons interested in a summary of all recent legislation affecting schools in Illinois should contact the Governmental Relations Unit at 217/782-3646.

House Bill 207 (Public Act 89-698) effective January 15, 1997. Deletes provisions limiting block grant funding for Chicago's schools to fiscal years preceding FY 2000. Eliminates provisions that limit the program of intervention at under-performing Chicago schools to a 4-year pilot program, and deletes current language that repeals the intervention program on June 30, 1999. Eliminates provisions that return the Office of Inspector General to the jurisdiction of the School Finance Authority when the Chicago School Reform Board of Trustees is replaced on July 1, 1999 by a new board of education, and adds provisions relative to the length of the term and appointment of the Inspector General. Deletes provisions that, beginning with FY 2000, eliminate the composite rate method under which Chicago school taxes are currently levied. The effect of these changes is to make permanent many provisions of the Chicago School Reform legislation enacted in 1995. Authorizes the Chicago Board of Education to employ speech and language pathologists who are not certified under the School Code but who are licensed under the Illinois Speech-Language Pathology and Audiology Practice Act if a chronic shortage of certified personnel exists.

Revises criteria under which a school may be placed on an academic watch list, providing for such placement if the school does not meet academic performance standards as measured by state assessment of student performance. Provides that a school is to serve two years on the State Board of Education's Early Academic Warning list before being placed on the Academic Watch List. Replaces a requirement that a school be on an academic watch list for two years before a school improvement panel is appointed and that such a panel be appointed for each school in the district that is on the watch list with a provision requiring that a single school improvement panel be appointed for a school district as soon as one (or more) schools of the district are placed on the watch list. Reduces from four years to two years the length of time a district or school must remain on an academic watch list before specified state intervention actions may be taken.

Adds provisions that permit a school district meeting specified 1995 EAV requirements to issue bonds, subject to a front-door referendum, for capital improvement, renovation, rehabilitation, or replacement of certain existing school buildings in an amount, including existing indebtedness, that does not exceed 27% of the district's EAV, notwithstanding any debt limitations otherwise applicable to the district.

Eliminates language making the State Board of Education responsible for educational policies and guidelines for private schools. Excepts student transfers into the Department of Corrections School District from a provision that prohibits expelled or suspended students who transfer into a public school from attending class in that school until the entire period of suspension or expulsion imposed by the school from which a student transfers is first served. Provides that in cases where both parents retain legal guardianship or custody of a disabled child, the resident school district shall be the district of the parent who provides the child's primary regular fixed night-time abode.

Eliminates a provision authorizing the resident school district of a disabled child who is placed in a residential facility located in another school district which provides special education program services to that child to delay paying tuition to the district providing those services until the end of the school year in which the services are provided. Requires those tuition payments to be made quarterly, and increases from 110% to 125% the percentage of the unpaid tuition that is to be withheld from the State Aid or categorical aid payment due to a resident district that fails to make timely tuition payments.

Delays for three fiscal years (to July 1, 2001) the scheduled repeal of the school district tax equivalent grant program and increases the grant formula for fiscal years after FY97 to 5% (now 3%) of the EAV of state-owned land within the district. Revises notice and ballot provisions applicable to school district bond issue referenda. Authorizes a community unit district that is located in a county of more than 240,000 but less than 260,000 inhabitants and that meets other specified statistical criteria to issue bonds pursuant to front-door referendum in an amount equal to 27% of the district's EAV, without regard to debt limitations that otherwise would be applicable to the school district. Repeals the Education to Careers work-based experience learning program as created in the School Code.

House Bill 270 (Public Act 89-502) effective June 28, 1996. Amends the Property Tax Code. Provides that, for purposes of establishing multi-township assessment districts, townships are contiguous if they share a common boundary line or meet at any point. Provides for the transfer of certain land (Philip J. Rock Center) by the State Superintendent of Education to Pinnacle Corporation by quitclaim deed upon satisfaction of certain requirements.

House Bill 427 (Public Act 89-591) effective August 1, 1996. Provides that if a business which received a tax benefit or abatement in order to locate, expand, or rehabilitate its facility, and subsequently relocates its facility, the benefit or abatement shall be canceled and must be repaid.

House Bill 545 (Public Act 89-572) effective July 30, 1996. Enhances the power of involuntarily-imposed Oversight Panels in instances where local school boards refuse to cooperate with the Oversight Panel.

House Bill 995 (Public Act 89-708) effective January 7, 1997. Provides for alternative certification of teachers under a three-phase program that is limited to no more than 260 new participants during each year. Provides that the program is available only in Chicago. Provides that the State Board of Education, in consultation with the State Teacher Certification Board, is to establish and implement the program in cooperation with a partnership formed between a public university and one or more not-for-profit corporations that support excellence in teaching. Provides that the first phase of the course is instructional, the second phase is full-time teaching for one year under a provisional alternative teaching certificate and the third phase is assessment and recommendation for a standard alternative teaching certificate valid for teaching in Chicago's public schools.

House Bill 1287 (Public Act 89-524) effective July 19, 1996. Provides that the State Board of Education and Illinois Community College Board are to annually enter into an inter-agency agreement to implement a Section of the School Code relating to adult education. Specifies matters to be included in the interagency agreement and revises the reimbursement formula for adult education programs and services. Also provides for grants to be provided by the State Board of Education to eligible programs for supplemental activities.

House Bill 1645 (Public Act 89-690) effective June 1, 1997. Amends the Property Tax Code to provide that residential structures that have been rebuilt following a "catastrophic event" qualify for the homestead improvement exemption. Defines "catastrophic event" as an occurrence of widespread or severe damage or loss of property resulting from any catastrophic cause. Provides that to be eligible for an exemption after a catastrophic event, the residential structure must be rebuilt within two years of the catastrophic event. Provides that in the case of a residential structure affected by flooding, the structure shall not be eligible for the homestead improvement exemption unless it is located within a local jurisdiction that is participating in the National Flood Insurance Program.

House Bill 1684 (Public Act 89-613) effective August 9, 1996. Amends the section of the School Code relating to special education joint agreements by eliminating a requirement that the members of an executive board (which may be appointed by the governing board of a joint agreement to which more than 17 school districts are parties) must be school board members appointed from among the members of the governing board. Provides that a majority of the members appointed by the governing board of a joint agreement to the executive board must be members of school boards of districts that are parties to the joint agreement, and that if the governing board wishes to appoint to the executive board persons who are not school board members, the appointees (other than the school board members who constitute a majority of the executive board's membership) must be superintendents from the school districts that are parties to the joint agreement.

House Bill 2230 (Public Act 89-652) effective August 14, 1996. Establishes a new impartial, one-level due process hearing system under which the decision of the hearing officer is final, subject to the right of a party aggrieved by that final decision to commence a civil action with respect to the issues presented at the hearing. Creates a seven-member screening committee which, acting with the advice and approval of the Advisory Council on the Education of Children with Disabilities, establishes qualifications for hearing officers and rules and procedures for due process hearings. Establishes an application process and required qualifications for hearing officer positions. Provides for mandatory training and annual evaluation of hearing officers and establishes causes for their termination by the State Board of Education. Requires the State Board to monitor, review and evaluate the impartial due process hearing system on a regular basis. Specifies the manner in which impartial due process hearings and required prehearing conferences are to be convened and conducted. Applicable to all but only to those impartial due process hearings that are requested on or after July 1, 1997.

House Bill 2557 (Public Act 89-513) effective July 17, 1996. Amends the School Code to require post-parturition care benefits be provided to employees.

House Bill 2596 (Public Act 89-610) effective August 6, 1996. Changes the size of the State Board of Education to nine members and terminates the terms of current members on the later of January 1, 1997 or when all new Board members are appointed. Establishes a new pattern of regional representation on the Board. Provides that the chairperson selected by the Governor from the membership of the Board shall be selected with the advice and consent of the Senate.

Requires the State Board of Education to hold public hearings and to by February 1, 1997 submit a comprehensive plan to establish a block grant funding program for educational programs in all school districts. Creates a School Safety and Educational Improvement Block Grant Program with funding to be distributed to districts based on the prior year's best three months average daily attendance. In the State Aid Formula, adds a provision under which, for the 1996-97 school year, each district's General State Aid is to be at least equal to the district's General State Aid for the 1995-1996 school year, and provides for supplementary payments to be made from a separate appropriation to those districts whose 1996-1997 State Aid entitlement will be less than their 1995-1996 General State Aid entitlement.

Revises the IGAP program to provide, beginning with the 1998-1999 school year, for state assessment testing only in grades 3 and 5. Requires 3rd and 5th graders who fail to achieve and who are at least two years behind academic standards (established by the State Board of Education after public hearings) to attend an appropriate remediation program, which may be a 90-hour remedial summer school program in the district that is funded by the state. Also creates a summer school program for resident, at-risk students of any grade who are identified as academically at risk in critical subject areas, requires children so identified to attend that summer school program, and amends the compulsory school attendance laws to reflect that requirement. Provides for Prairie State Achievement Examinations for 12th-grade students, who receive the Prairie State Achievement Award if they receive a score of excellent on the examination. Makes student state assessment and Prairie State Achievement Examination scores part of a student's permanent record, and requires a school district to include in its school report card data relating to student performance on that examination. Prohibits the State Board of Education from accepting or expending federal funds provided for participation in the federal Goals 2000 or outcome-based education programs, except allows the State Board, when its functions as a flow-through agency for the district release of those federal funds to school districts, to retain for its administrative expenses in performing flow-through services up to 1% of the Goals 2000 program funds that flow through the State Board. Establishes prohibited uses with respect to those funds. Provides that under an Education to Careers initiative administered by the State Board of Education, the State Board, at the request of a participating school district and an Education to Careers business partnership, may provide for appropriate liability coverage. Establishes a policy of discouraging social promotions of students to the next higher grade.

Provides for a school board and its parent-teacher advisory committee to develop a school board policy relating to school searches. Provides for expulsion of a student for up to two calendar years (now, two school years) for bringing a weapon to any school-sponsored activity or event bearing a reasonable relationship to school (or, as under current law, to school). Defines the term weapon. Provides that a student subject to suspension or expulsion is eligible for transfer to an alternative school program established under the School Code. Authorizes searches of school lockers, desks, parking lots, and other school equipment and property, as well as student personal effects left in those places and areas, without notice, consent or a search warrant. Authorizes school officials to obtain law enforcement official assistance in conducting those searches, including the use of specially trained dogs. Prohibits a school board from knowingly employing a person convicted for committing attempted first-degree murder or for committing or attempting to commit first-degree murder or a Class X felony, and provides for suspension and revocation of the certificate of a holder who has been convicted of any such offense.

Revises provisions relating to the school uniform or dress code policies of a school district. Provides that any such policy may be made applicable at all or only at certain attendance centers of the district when necessary to maintain an orderly school process and prevent endangerment to student health and Includes as unprofessional conduct for which a certificate may be suspended conduct that violates ethical standards applicable to the security, administration, monitoring or scoring of or the reporting of scores from, IGAP tests or exit examinations. Increases to a Class A from a Class C misdemeanor the offense of preventing a child from attending school, and also makes interfering with a child's attendance at school a Class C misdemeanor. In the provisions relating to reports that courts and law enforcement agencies are to make to a school principal when a student of the school is detained for Juvenile Court Act or criminal or ordinance violation proceedings, specifies what must be included in the report to protect the safety of students and employees in the school. Authorizes school districts that maintain grades 9-12 to enter into agreements that guarantee the academic skills and performance of their high school graduates in the workforce or in higher education. Prohibits a school board from declaring as a special holiday on which school employees are not required to work the days on which general elections for members of the Illinois House of Representatives are held.

<u>House Bill 2618 (Public Act 89-593) effective August 1, 1996</u>. Amends the Property Tax Code and Clerks of Courts Act. Allows filing fees stated for tax objections to apply regardless of the number of parcels involved or the number of taxpayers joining the complaint.

<u>House Bill 2651 (Public Act 89-679) effective August 16, 1996</u>. Provides that 1996-97 state aid of a district shall be computed using its 1995 EAV if its 1995 EAV is at least 6% less than its 1994 EAV and if that decrease is a result of a reduction of a single taxpayer in the district whose 1994 EAV constituted at least 20% of the EAV of all taxable property in the district.

<u>House Bill 2659 (Public Act 89-617) effective September 1, 1996</u>. Amends the Property Tax Code. Provides a two-year statute of limitations on arrearages of property taxes owed because of an administrative error. Other related allowances and provisions regarding interest payments and "administrative error."

<u>House Bill 2664 (Public Act 89-618) effective August 9, 1996</u>. Amends the School Code to enact as law six (6) issues previously approved as modifications or waivers of laws, including treasurer residency, RIF requirements, immunization exclusions, and in-service days.

<u>House Bill 2695 (Public Act 89-655) effective January 1, 1997</u>. Creates the Bond Issuance Notification Act. Requires authorities of a district issuing nonreferendum bonds, or limited bonds, to hold at least one public hearing on intent to issue the bonds; sets notice requirements. Prohibits final vote on the ordinance or resolution until seven days after the public hearing. Exempts health/life safety bonds for work needed to meet minimum state standards, as well as refunding bonds. In certain emergencies, allows a local government to exempt itself from the hearing requirement by a 3/5 vote.

House Bill 2741 (Public Act 89-557 effective January 1, 1997. Amends the Property Tax Code affecting property outside of Cook County. Provides that if an applicant was denied the Senior Citizens Assessment Freeze Homestead Exemption in taxable year 1994, and the denial occurred due to an error on the part of assessment official or his or her agent or employee, then beginning in taxable year 1997 the applicant's base year, for purposes of determining the exemption, shall be 1993 rather than 1994. Provides that beginning in taxable year 1997, the applicant's exemption shall also include an amount equal to (i) the amount of any exemption denied to the applicant in 1995 as a result of using 1994, rather than 1993, as the base year, (ii) the amount of any exemption denied to the applicant in taxable year 1996 as a result of using 1994, rather than 1993, as the base year, and (iii) the amount of the exemption erroneously denied for taxable year 1994.

House Bill 2773 (Public Act 89-559) effective January 1, 1997. Amends the Vehicle Code; in the special speed limit while passing a school provision, creates a definition of "school."

House Bill 2809 (Public Act 89-695) effective December 31, 1996. Amends the Property Tax Code. Provides that a Collector may recommend to a County Board that the Board pass an ordinance or resolution stating that the Collector shall no longer publish or send delinquent notice or forfeited property taxes owed by a lessee of property if the taxes have been delinquent or forfeited for at least ten years and there are no current delinquent or forfeited taxes. Collector shall no longer publish or send notice upon passage of the ordinance or resolution. Defines contiguous townships for purposes of multi-township assessment districts.

House Bill 2900 (Public Act 89-581) effective January 1, 1997. Provides that when an individual who has been granted a senior citizens' assessment freeze exemption dies, the surviving spouse is entitled to the exemption for the taxable year of and the taxable year following the death of the individual, computed as if the individual had survived, despite the fact that the surviving spouse would not independently qualify for the exemption because of age.

House Bill 3052 (Public Act 89-622) effective August 9, 1996. Provides that if a student is suspended or expelled for specified serious acts, other school districts must honor the suspension or expulsion. Prohibits the adding of a residency requirement to a principal's contract after hiring. Authorizes tuition-free attendance in another district for a student's safety. Requires ISBE to "pass through" certain federal funds to local districts.

House Bill 3091 (Public Act 89-560) effective July 26, 1996. Allows for the abolishment of township treasurers and trustees of schools in certain Cook County townships providing the voters in said townships have approved the action by referendum.

House Bill 3133 (Public Act 89-561) effective January 1, 1997. Amends the Property Tax Code concerning abatements. Provides that a taxing district may abate the taxes on the property of any commercial or industrial development of at least 500 acres having been created within the taxing district. States that the abatement shall not exceed 20 years and the aggregate amount of abated taxes for all taxing districts combined shall not exceed $12,000,000.

House Bill 3204 (Public Act 89-563) effective July 26, 1996. Creates the Cook County Board of Review Districts Act. Divides Cook County into three Board of Review Districts.

House Bill 3282 (Public Act 89-595) effective August 1, 1996. Amends the Property Tax Code. Provides that in counties of less than 3,000,000, a supervisor of assessments, county assessor or township or multi-township assessor responsible for adding an assessable improvement to a residential property's assessment shall either notify a taxpayer whose assessment has been changed since the last preceding assessment that he or she may be eligible for a homestead improvement exemption or shall grant the exemption automatically. Effective January 1, 1997.

House Bill 3300 (Public Act 89-579) effective July 30, 1996. Revises the form of ballot to be used in electing school board members by area of residence in certain community unit and community consolidated school districts (formed before January 1, 1975) and combined school districts (formed before July 1, 1983), when the territory of any such district exceeds 2 congressional townships or 72 square miles and at least 75%, but less than 90%, of the district's population resides in one of those congressional townships. Changes current provisions relating to filling vacancies of school board members elected by area of residence by providing that a member who fills such a vacancy, whether elected or appointed by the remaining members or regional superintendent, shall be an inhabitant of the particular area from which his or her predecessor was elected.

House Bill 3426 (Public Act 89-480) effective January 1, 1997. Provides for a tuition charge to be made if a school board determines that a nonresident pupil is improperly attending the district's schools on a tuition-free basis. Provides that no tuition is to be charged in the case of certain children placed by the Department of Children and Family Services with a foster parent or other child care facility that is located in a district other than the child's former school district, if it is in the child's best interest to maintain his or her attendance at his or her former school district. Establishes a hearing process under which a person who has placed the pupil may challenge the school board's determination of the pupil's nonresidency. Makes it a Class C misdemeanor to knowingly enroll or attempt to enroll a nonresident of a district in a school of that district on a tuition-free basis, or to knowingly or willfully present to a school district false information regarding the residency of a pupil. Makes provisions subject to the Education for Homeless Children Act.

House Bill 3436 (Public Act 89-658) effective October 1, 1996. Provides that the driver of a bus meeting certain of the Vehicle Code's requirements for school buses (instead of a school bus) shall stop the vehicle at a railroad grade crossing. Provides that a person other than the driver of a school bus may perform portions of the pretrip inspection. Provides that local authorities shall impose fines for pedestrians and vehicles that fail to obey signals indicating the approach, presence, passage or departure (instead of approach or passage) of a train.

House Bill 3448 (Public Act 89-498) effective June 27, 1996. Provides that on or after January 1, 1997, the superintendent or his or her designee shall report all firearm-related incidents occurring in a school or on school property to local law enforcement authorities no later than 24 hours after the occurrence of the incident and to the Department of State Police.

House Bill 3455 (Public Act 89-452) effective May 17, 1996. Amends the criminal Code of 1961 relating to eavesdropping. Limits exemption from the eavesdropping offense to monitoring conversations for service quality control of telephone solicitation, the education or training of employees or contractors engaged in telephone solicitation, or internal research related to telephone solicitation by a corporation or other business entity engaged in telephone solicitation. Also provides exemption for monitoring.

House Bill 3520 (Public Act 89-628) effective August 9, 1996. Amends the State Employees Group Insurance Act of 1971. Includes a person who is a recipient or survivor of a recipient of a disability under the Teachers' Retirement System Article of the Illinois Pension Code within the definition of "TRS benefit recipient". Effective immediately.

House Bill 3532 (Public Act 89-629) effective August 9, 1996. Authorizes persons who successfully complete alternative education programs and show evidence of successful completion of the requisite GED test to apply for a high school equivalency certificate. In the Article relating to alternative public schools, changes certain references to an alternative school or schools to references to an alternative school program or programs, and authorizes an alternative school program serving more than one educational service region to be jointly established by more than one regional office of education. Provides that the regional superintendent (currently, the principal of an alternative school) is to implement (or contract with one or more school districts to implement) a multidisciplinary curriculum for the alternative school program and that the regional superintendent (currently, the regional board of school trustees or its successor) is to administer (or contract with one or more school districts to administer) and receive appropriations for the program. Eliminates the responsibility of the regional board of school trustees or its successor for approving the program's administrative and fiscal structure. Allows parents and the school and regional superintendent to reach an alternative agreement to the statutory requirement that otherwise requires the school from which a student is administratively transferred to provide for any transportation necessitated by the transfer.

Senate Bill 18 (Public Act 89-629) effective January 1, 1997. Provides that until January 1, 1998, a community unit school district with a 1995 EAV of less than $24,000,000 may issue bonds to an amount, including existing indebtedness, not exceeding 27.6% of the district's then current EAV, provided the bonds are issued for specified purposes in accordance with specified provisions of the School Code and a proposition for issuance of those bonds has been approved by front-door referendum held after March 19, 1996.

Senate Bill 19 (Public Act 89-450) effective April 10, 1996. Authorizes creation of charter schools under contracts between school boards and governing bodies of charter schools. Requires a charter school to comply with its charter and the Charter Schools Law and exempts it from other state laws and regulations governing public schools, with specified exceptions. Requires approval by the State Board of Education of proposed charter school contracts but authorizes the State Board to require modifications in a proposed contract to achieve consistency with the Charter Schools Law before certifying the charter.

Senate Bill 1019 (Public Act 89-636) effective August 9, 1996. Amends the Illinois Pension Code to expand the investment authority of the Chicago Teacher Pension Fund. Also authorizes the Chicago Board of Education to establish alternative schools and to contract with third parties to provide services for those schools. Exempts alternative schools operated by third parties in Chicago from all provisions of the School Code except those specified. Provides for two-year instead of staggered four-year terms for local school council members and authorizes the Board to schedule elections at year-round schools for the same dates as in the remainder of the school system. Requires budgets of the Chicago Board of Education to be balanced according to Board standards and adds provisions relative to the accumulation and use of those funds. Provides that a person dismissed from the employ of the Chicago Board of Education is not eligible for employment as a principal at any school in the district. Authorizes the Chicago School District to employ licensed speech and language pathologists who are not certified under the School Code if the district certifies that a chronic shortage of certified personnel exists. Also authorizes the Chicago School District to impose, as a condition of the nomination, selection, appointment, employment or continued employment of a principal, academic, educational, examination and experience requirements in addition to those applicable to principals in other school districts under the provisions of the School Code relating to certification.

Senate Bill 1246 (Public Act 89-514) effective July 17, 1996. Provides that females covered under group or individual policies of accident and health insurance or managed care plans must be permitted to designate a woman's principal health care provider to whom the female has access without referral or prior approval.

Senate Bill 1404 (Public Act 89-548) effective January 1, 1997. Amends Property Tax Code and Municipal Budget Law. Provides, if a county treasurer makes an erroneous distribution of property taxes to a taxing district, upon majority vote of the governing board of the taxing district, the funds erroneously distributed shall be returned to the county treasurer.

Senate Bill 1418 (Public Act 89-608) effective August 2, 1996. Eliminates provisions that require, beginning in 1999, that each educational service region contain at least 80,000 residents, that limit the number of educational service regions to 35, and that require consolidations if necessary to meet those requirements. Eliminates a requirement that a van used by a school district to transport students to and from interscholastic activities be operated under rental or for hire arrangement entered into by the district with respect to the specific activity in connection with which the transportation is to be furnished. Also eliminates a requirement that the district's insurance liability insurance covering the use and operation of the van be with a company that is licensed and authorized to write that coverage in Illinois.

Senate Bill 1440 (Public Act 89-680) effective January 1, 1997. Amends Interagency Board for Hearing Impaired/ Behavior Disordered Children Act to include children who are deaf or hard-of-hearing and have an emotional or behavioral disorder within its provisions. Creates the Deaf and Hard of Hearing Commission as an executive agency with 11 members appointed by the Governor. Provides that the members shall serve for three-year terms with staggered initial terms and that at least six of the members shall be deaf or hard of hearing. Provides that the Commission shall develop, recommend, provide, evaluate and promote programs and services to assist deaf and hard of hearing persons.

Senate Bill 1490 (Public Act 89-470) effective June 13, 1996. Creates the Employment Record Disclosure Act. Provides that any employer, employer's agent or authorized employee who, upon request by a prospective employer or a current or former employee, provides truthful written or verbal information about a current or former employee's job performance is presumed to be acting in good faith and is immune from civil liability for the disclosure and consequences thereof, unless the presumption is overcome by a preponderance of evidence. Provides that the Act does not exempt an employer from compliance with the Personnel Record Review Act.

Senate Bill 1511 (Public Act 89-510) effective July 11, 1996. Amends the Property Tax Extension Limitation Law in the Property Tax Code. Provides that a County Board that is not subject to the Property Tax Extension Limitation Law may submit to the voters the question of whether to make all non home rule taxing districts in the county subject to the Property Tax Extension Limitation Law.

Senate Bill 1527 (Public Act 89-672) effective August 14, 1996. Provides that the probate court may authorize a guardian, other than the guardian of a minor, to exercise all the powers that the ward could exercise over the ward's estate and business affairs. Provides that the guardian's actions should be in keeping with the ward's wishes so far as they can be ascertained. Lists actions the guardian may take. Provides that the guardian may make certain gifts of the ward's assets. Provides that the guardian shall investigate and pursue a ward's eligibility for governmental benefits. Provides that the probate court must consider the permanence of the ward's disabling condition and the natural object of the ward's bounty when authorizing the taking of action or the applications of funds not required for the ward's current and future maintenance. Changes to "ward" references to "disabled person". Deletes provision that allows a guardian to make a will, set up a trust, or both for the ward. Provides that a guardian may create irrevocable trusts for the benefit of the disabled person.

Senate Bill 1780 (Public Act 89-494) effective June 21, 1996. Provides for the detachment of territory located in a special charter city from one school district and its annexation to a contiguous special charter school district upon filing of the petition for detachment and annexation, by operation of law and without the necessity of a hearing under specified conditions.

PART IV
School District Reorganization

Types of Reorganization

Consolidations

Articles 11A and 11B of the School Code govern consolidation, which is the merging of the territory of two or more existing districts to form a new district. Article 11A governs the formation of unit districts from

1) unit districts only,
2) elementary and secondary districts only, and
3) all three types of districts.

Article 11B governs the formation of elementary districts from two or more entire elementary districts and the formation of secondary districts from two or more entire secondary districts.

The procedure for consolidation under Article 11A includes

1) the filing of a petition by voter signatures or by action of the affected school boards which must set forth the maximum tax rates the new district would be authorized to levy;
2) a public hearing by the regional superintendent followed by his recommendation to the State Superintendent to approve or deny the petition;
3) a review by the State Superintendent of the petition, the transcript of the hearings, and evidence submitted at the hearings;
4) a decision by the State Superintendent to approve or deny the petition;
5) if approved by the State Superintendent, a referendum in which a majority of voters in each affected district vote "yes"; and
6) the election of a new board of education (normally) at the next regularly scheduled election.

Any circuit court review of the State Superintendent's decision must be initiated within 35 days of his decision.

The same process is required for consolidation proposals under Article 11B with the exception that Article 11A propositions pass if a majority of voters in <u>each</u> affected district vote in favor of the proposition. The passage of an Article 11B proposition requires only a majority of those voting overall.

Annexations

Articles 7 and 7A of the School Code govern annexations. Article 7 annexations involve boundary changes ranging from detaching a portion of territory from one district and annexing it to another to the dissolving of a district and the annexing of its entire territory to one or more contiguous districts. This section deals only with annexations which result in the dissolution of a district. Article 7A authorizes the annexation of all the territory of a unit district into a contiguous high school district and the simultaneous dissolving of the unit district and the conversion of its territory into an elementary district.

The processes to be followed under these two articles are very different. The Article 7A procedures resemble those of the consolidation laws. The petition may be filed by the affected boards or by a specified number of voters. The petition filed with the regional superintendent must contain the maximum tax rates for both the annexing high school district and the proposed new elementary district. If the State Superintendent approves the petition, the proposition goes to referendum, and a majority of voters in both the high school district and the unit district proposed to be converted must vote "yes" for the proposition to pass. If it passes, a new board is then elected for the newly created elementary district at the next regularly scheduled election.

Under Article 7 neither the State Superintendent nor the voters in referenda are involved, a new district is not created, a new board is not elected, and the maximum tax rates of the annexing district are not changed. The annexation by one district of one or more of its neighboring districts can involve merely the filing of a joint petition by the boards of the affected school districts with the regional board of school trustees and a public hearing by the regional board, followed by a decision by the regional board allowing the annexation. Thus, the Article 7 option allows financially troubled districts to move much more quickly on merger than if they went through the consolidation process. In addition to petitioning the regional board by district board action, a majority of registered voters may submit petitions.

In 1989, Article 7 was amended to allow the voluntary dissolution of a small district. This amendment authorizes a district with a population of less than 5,000 to be dissolved upon petition by either the board of education or a majority of the voters to the regional board of school trustees. If the petition does not specify a district or districts to which the territory is to be annexed, the regional board "shall have no authority to deny dissolution." Its decision on annexation shall give "consideration to but not be bound by the wishes expressed by the residents of the various school districts that may be affected by such annexation."

Unit District Conversions

Under Article 11D, the School District Conversion Law, a single new high school district and new elementary districts based upon the boundaries of dissolved unit districts may be formed from either 1) two or more contiguous unit districts or 2) one or more unit districts and one or more high school districts, all of which are contiguous. This reorganization option guarantees residents of existing unit districts continued control over elementary school programs, while at the same time creating high school districts with larger enrollments.

The procedures for Article 11D reorganizations closely resemble those for consolidation. Among the requirements are 1) the petition can be filed either by the affected boards or voter signature; 2) the petition must set the maximum tax rates for all the proposed districts; 3) the petition must provide for the division of liabilities and assets (including any state deficit difference payment) among the proposed new districts; and 4) the proposal shall pass if a majority of the voters in each affected district votes in favor of the proposition.

Additional Options: High School Deactivation and Cooperative High School Attendance Centers

Under Section 10-22.22b, a district can deactivate its high school facility and send its students in grades 9 through 12 to one or more other districts. Deactivation requires the approval of the board or boards of the receiving district or districts and of the majority of those voting upon the proposition in the sending district. Pursuant to a contractual agreement, the sending district shall pay to the receiving district for each student it sends an amount agreed upon by the two districts. Reactivation is allowed by vote of the people in the sending district.

Under Section 10-22.22c, two or more contiguous unit or high school districts, each with grades 9-12 enrollment of fewer than 600 students, may jointly operate one or more cooperative high school attendance centers if the voters in each district approve. Upon such approval the boards shall enter into an agreement for joint operation. A cooperative attendance center advisory board shall be established, and it shall be made up of members of the cooperating school boards. The advisory board is to prepare and recommend for the cooperative attendance center a budget which must be approved by each of the participating districts.

Further information on any of these options can be obtained by contacting the Center for Fiscal and Shared Services, Financial Outreach Services Division at 217/782-2491.

The Progress of School District Reorganization Since 1980

There has been substantial progress in reorganization since 1980. In Fiscal Year 1980, there were 1,011 school districts. By Fiscal Year 1997, there were 905 school districts — a reduction of 106 districts (10.5 percent). Most of this decline in the number of districts occurred in the last third of the 1980s and thus far in the 1990s.

The following table indicates the number of reorganizations that became effective under each reorganization option during five periods from Fiscal Year 1984 through Fiscal Year 1997.

TABLE 8

Summary of Reorganizations Effective in Fiscal Years 1984 through 1997

By Type of Reorganization	1984-86	1987-89	1990-92	1993-95	1996-97	Total
Consolidation (Articles 11A and 11B)	6	8	12	8	2	36
Dissolution/Annexation (Article 7)	2	15	11	18	3	49
Conversion/Annexation (Article 7A)	N/A*	2	2	0	0	4
High School Deactivation (Sec. 10-22.22b)	N/A*	2	1	2	0	5
Cooperative High School Attendance Center (Sec 10-22.22c)	N/A*	0	0	0	0	0
Conversion/Dual District Formation (Article 11D)	N/A*	N/A*	0	0	0	0
TOTALS	8	27	26	28	5	94
Net Change in Operating School Districts by Type of District						
Unit	-4	-11	-10	-13	-4	-42
Elementary	-4	-9	-13	-14	-3	-43
Secondary	-4	-7	-4	-2	-3	-20**
TOTALS	-12	-27	-27	-29	-10	-105
Average Annual Reduction in Number of School Districts	-4	-9	-9	-10	-5	-7.5

* Not available as a reorganization option.

** Figure includes the deactivation of programs in one high school district with the effect of making the district nonoperating but not dissolved.

Supplementary State Aid under Articles 18 and 11D

A major motivation for mergers during the 1980s was the authorization by the General Assembly in 1983 of three supplementary state aid payments to newly consolidated districts.

This program of payments has been extended over the years to include other types of reorganizations. Except for high school deactivations and cooperative high school attendance centers, all the types of reorganization cited in this chapter qualify for these payments.

Although commonly called "incentive" payments, these three payments available to reorganized districts were designed to encourage mergers by eliminating or reducing certain fiscal disincentives that had inhibited mergers. Two payments are made annually for three years for:

- Any loss in General State Aid resulting from a merger,
- The difference in teacher salaries among the merged districts.

A third program authorizes a one-time payment to cover deficits (as measured by negative fund balances) incurred by the districts prior to reorganization.

In contrast, a fourth "incentive" program authorized in 1989 and amended in 1994 simply provides additional funding. This program provides that: "...the sum of $4,000 for each certified employee who is employed . . . on a full-time basis for the regular term of any such school year..." shall be paid for one, two or three years depending upon the district's rank in equalized assessed value per pupil (by quintile) and the district's rank in average daily attendance (by quintile). It also provides that if these are multiple reorganizations, only a single payment shall be made each year based on the most recent reorganization.

Payments received under any of these incentive programs can be used for any payments for which General State Aid can be used.

The following table shows that over $97 million has been paid through Fiscal Year 1997 under these laws. The General Assembly has appropriated sufficient money to pay all entitlements through Fiscal Year 1997.

TABLE 9

Reorganization Incentive Payments by Program and Fiscal Year

Fiscal Year	State Aid Difference	Teacher Salary Difference	Deficit Difference	Certified Employee	Total
1986	$ 156,495	$ 190,844	$ 1,014,172	—	$ 1,361,511
1987	232,768	210,844	416,152	—	859,764
1988	437,203	692,442	638,149	—	1,767,794
1989	412,155	982,796	6,749,757	—	8,144,708
1990	590,703	1,585,917	7,354,721	—	9,531,341
1991	454,537	1,539,987	2,013,486	1,992,000	6,000,010
1992	453,051	1,078,223	1,256,726	3,212,000	6,000,000
1993	957,642	1,474,700	2,347,679	3,619,979	8,400,000
1994	786,647	1,496,166	2,412,166	12,974,021	17,669,000
1995	947,090	2,054,164	2,116,243	9,668,000	14,785,497
1996	450,384	1,770,768	616,444	11,238,000	14,075,596
1997	433,932	924,131	580,852	7,178,000	9,116,915
Totals	$6,312,607	$14,000,982	$27,516,547	$49,882,000	$97,712,136

The General State Aid Difference Payment (Section 18-8(A)(5)(m) of the School Code). Qualifying for this payment are new school districts formed by combining property within two or more previously existing districts under Article 11A or 11B and school districts which annex all of the territory of one or more other school districts under Article 7 or 7A. For consolidations, if the General State Aid is less for the newly consolidated district or districts in the first year than the General State Aid would have been that same year on the basis of the previously existing districts, a supplementary payment equal to the difference shall be made for the first three years to the new district or districts. For annexations, if the state aid is less for the annexing district or districts for the first year in which the annexation is effective than in that same year on the basis of the annexing and annexed districts as constituted prior to the annexation, then a supplementary payment equal to the difference shall be made for the first three years to the annexing district or districts. Also eligible for this payment are the new elementary districts and the new high school district formed under Article 11D if these new districts qualify for less state aid than would have been payable to the previously existing districts.

Teacher Salary Difference Payment (Section 18-8.2 of the School Code). The state will make a supplementary payment for three years to new districts formed under Article 11A or 11B, equal to the difference between the sum of the salaries earned by each certified member of a new district or districts while employed in one of the previously existing districts and the sum of the salaries those certified members would have been paid if placed on the salary schedule of the previously existing district with the highest salary schedule. The salaries used in these calculations are those in effect in each of the previously existing districts on June 30 prior to the creation of the new district.

The state will make a supplementary payment for three years to districts that annex the territory of one or more school districts under Article 7 or 7A, equal to the difference between the sum of the salaries earned by each certified member of the district, as constituted after the annexation, and the sum of the salaries those certified members would have been paid if placed on the salary schedule of the annexing or annexed district with the highest salary schedule. The salaries used in these calculations are those in effect in the annexing and the annexed districts on June 30 prior to the effective date of the annexation.

The state will also make this supplementary payment to the newly formed high school district under Article 11D.

Deficit Difference Payment (Section 18-8.3 of the School Code). Eligible for this payment are new school districts formed by combining property within two or more previously existing districts under Article 11A or 11B and school districts which annex all of the territory of one or more entire other districts under Article 7 or 7A. The payment is made once and is equal to the difference between the larger and smaller deficits. If more than two districts are involved, the payment is equal to the sum of the differences between the smallest deficit and each of the other deficits.

Based on the method set forth in Section 18-8.3, deficits are calculated by totaling the audited fund balances in the educational fund, the working cash fund, the operations and maintenance fund and the transportation fund for each previously existing district or for each of the annexing and annexed districts, as the case may be. A district with a positive combined fund balance will be considered to have a deficit of zero. The calculation is based on the year ending June 30 prior to the referendum for the creation of the new district, or in the case of annexations under Article 7, the June 30 prior to the date that the annexation is approved by the regional board of school trustees.

Section 18-8.3 of the School Code has been amended by Public Act 88-555 (House Bill 2638) to change the way in which incentive payments to new or certain annexing districts are calculated to make up for deficits. If expenditures in the categories (objects) of "purchased services," "supplies and materials," and "capital outlay" in the specified year are greater than the average expenditure for these purposes for the three years prior to the specified year, the incentive payment shall be reduced by the difference between those in the specified year and the three-year average.

New elementary and high school districts formed under Article 11D are also eligible for the deficit difference payment and the payment shall be allocated among these newly formed districts, as provided for in the petition for the formation of such districts.

Supplementary State Aid for Certified Employees (Section 18-8.5 of the School Code). For each of the first one to three school years after reorganization, a supplementary state aid reimbursement shall be paid to a reorganized district equal to the sum of $4,000 for each certified employee who is employed by the district on a full-time basis for the regular term of such school year:

Reorganized District's Rank by Type of District (unit, high school, elementary) in Equalized Assessed Value Per Pupil by Quintile	Reorganized District's Rank in Average Daily Attendance by Quintile		
	1st Quintile	2nd Quintile	3rd, 4th, or 5th Quintile
1st Quintile	1 year	1 year	1 year
2nd Quintile	1 year	2 years	2 years
3rd Quintile	2 years	3 years	3 years
4th Quintile	2 years	3 years	3 years
5th Quintile	2 years	3 years	3 years

The State Board of Education shall make a one-time calculation of a reorganized district's quintile rank. The average daily attendance used in this calculation shall be the best three months' average daily attendance for the district's first year. The equalized assessed value per pupil shall be the district's real property equalized assessed value used in calculating the district's first-year General State Aid claim divided by the best three months' average daily attendance.

No annexing or resulting school district shall be entitled to supplementary State aid under this Section unless such district acquires at least 30% of the average daily attendance of the district from which the territory is being detached or divided.

If a district results from multiple reorganizations that would otherwise qualify the district for multiple payments under this Section in any year, the district shall receive a single payment only for that year based solely on the most recent reorganization.

Reorganized districts qualifying for this payment are

1) new school districts formed under Articles 11A and 11B;
2) new elementary districts formed under Article 7A;
3) one or more annexing districts following the annexation of all the territory of one or more entire school districts, but only if an annexing district acquires at least 30 percent of the Average Daily Attendance of the district(s) being annexed;
4) unit districts formed under Article 11A resulting from the division of a unit district or districts into two or more parts, all of which are included in the two or more unit districts resulting upon the division; and
5) new districts formed under Article 11D.

PART V
School Finance Practices

Budgeting, Levying, and Truth in Taxation

Section 17-1 of the School Code requires school districts to adopt an annual budget before or during the first quarter of each fiscal year. The district budget must specify the objects and purposes of expenditures and the revenues necessary to meet the anticipated expenses and liabilities of the district.

The budget and appropriations for school districts in cities with more than 500,000 inhabitants are governed by Sections 34-42 through 34-82 of the School Code.

Where educational services are provided under a joint agreement, the governing board, regional superintendent, or board of education responsible for joint agreement administration must adopt a budget by September 1 of the fiscal year. The adoption and content of the joint agreement budget follow requirements similar to those in Section 17-1 for school districts.

Vocational Education Regional Delivery Systems (Education for Employment Regional Delivery Systems) use the same budget forms and have the same adoption deadline requirements as do joint agreements.

All of the budgets referred to above must be entered (and adopted) on budget forms prepared and provided by the State Board of Education.

Budgets, at a minimum, must also contain a statement of the year's beginning and ending cash and estimated cash receipts and disbursements for the budget year. Specific requirements as to the budget form are enumerated in state statutes and in guidelines provided by the State Board of Education.

Section 18-50 of the Property Tax Code (35 ILCS 200/18-50) requires the governing authority of each taxing district to file with the county clerk within 30 days of adoption certified copies of its appropriation and budget ordinances or resolutions, as well as an estimate, certified by its chief fiscal officer, of revenues, by source, anticipated to be received by the taxing district in the following fiscal year. If the governing authority fails to file the required documents, the county clerk shall have the authority, after giving timely notice of the failure to the taxing district, to refuse to extend the tax levy until the documents are so filed. A school district's budget is considered to be its "appropriation ordinance."

In conjunction with budget adoption for the fiscal year, a district undertakes the process of certifying the amount of monies required from local taxes.

Each board of education makes an annual levy in terms of dollar amounts and certifies this levy to the respective county clerk(s). The county clerk is charged with the responsibility for making extensions of taxes levied within the constraints of the school district tax rate limitations (See Table 10) and the Property Tax Extension Limitation Law. Receipt and transfer of these monies to the school district treasurer are normally accomplished through the office of the county treasurer.

Each school district is required to certify annually and return to the respective county clerk(s), on or before the last Tuesday in December, its certificate of tax levy.

The Truth in Taxation Act (35 ILCS 200/18-55 et seq. created by Public Act 82-102 effective July 29, 1981) affects all units of local government, including school districts, community colleges, and home-rule units, which are authorized to levy property taxes. The basic requirements of this law are enumerated in the paragraphs which follow.

At least 20 days prior to the adoption of its aggregate levy, the local board of education shall estimate the dollar amount of the aggregate levy for the current year exclusive of election costs.

Any district proposing to increase its aggregate levy more than 105 percent of its prior year's extension, exclusive of election costs, must publish a notice, as prescribed by law, in a newspaper of general local circulation.

If the taxing district is located entirely in one county, the notice shall be published in an English-language newspaper of general circulation published in the taxing district, or if there is no such newspaper, in an English-language newspaper of general circulation published in the county and having circulation in the taxing district.

If the taxing district is located primarily in one county but extends into smaller portions of adjoining counties, the notice shall be published in a newspaper of general circulation published in the taxing district, or if there is no such newspaper, in a newspaper of general circulation published in each county in which any part of the district is located.

If the taxing district includes all or a large portion of two or more counties, the notice shall be published in a newspaper of general circulation published in each county in which any part of the district is located.

The notice must be published no more than 14 days nor less than 7 days prior to the date of the public hearing. The notice must be no less than one-eighth page in size, and the smallest type that can be used is 12 point. The notice must be enclosed in a black border no less than 1/4 inch wide. The notice cannot be placed in that portion of the newspaper where legal notices and classified advertisements appear. The notice shall be published in the following form:

Notice of Proposed Property Tax Increase
for (commonly known name of taxing district).

I. A public hearing to approve a proposed property tax levy increase for (legal name of the taxing district) for (year) will be held on (date) at (time) at (location).

Any person desiring to appear at the public hearing and present testimony to the taxing district may contact (name, title, address and telephone number of an appropriate official).

II. The corporate and special purpose property taxes extended or abated for (preceding year) were (dollar amount of the final aggregate levy as extended) plus the amount abated by the taxing district prior to extension).

The proposed corporate and special purpose property taxes to be levied for (current year) are (dollar amount of the proposed aggregate levy). This represents a (percentage) increase over the previous year.

III. The property taxes extended for debt service and public building commission leases for (preceding year) were (dollar amount).

The estimated property taxes to be levied for debt service and public building commission leases for (current year) are (dollar amount). This represents a (percentage increase or decrease) over the previous year.

IV. The total property taxes extended or abated for (preceding year) were (dollar amount).

The estimated total property taxes to be levied for (current year) are (dollar amount). This represents a (percentage increase or decrease) over the previous year.

Any notice which includes any information not specified and required by the Truth in Taxation Law is an invalid notice.

No levy of a taxing district shall be invalidated for failure to comply with the provisions of the Act if the failure is attributable to the newspaper's failure to reproduce the information accurately or to publish the notice as directed by the taxing district.

All hearings must be open to the public. The corporate authority of the taxing district is to explain the reasons for the proposed increase and is required to permit persons desiring to be heard an opportunity to present testimony within reasonable time limits.

Definitions:

* "Aggregate levy" means the annual corporate levy of the taxing district and those special purpose levies which are made annually (other than debt service levies and levies made for the purpose of paying amounts due under public building commission leases).

* "Special purpose levies" include, but are not limited to, levies made on an annual basis for contributions to pension plans, unemployment and workers' compensation, or self-insurance.

* "Debt service levies" are those levies made to retire the principal or pay interest on bonds or to make payments due under public building commission leases.

School districts must know which tax levies are included in each category.

* "Corporate levy" includes the levies for educational purposes and operations and maintenance purposes.

* "Special purpose levies" include all other levies except debt service levies.

* "Debt service levies" include levies for bond and interest purposes and for rent purposes (Rent: Section 35-23 of the School Code for payments to the Capital Development Board; Section 22-17 of the School Code and Section 18 of the Public Building Commission Act for payments to public building commissions).

If a public hearing must be held, it may not coincide with the hearing on the proposed budget of the taxing district. The hearing must be convened no more than 14 days, nor less than seven days, after the notice publication. If the final levy ordinance adopted is greater than 105 percent of the prior year's extension and is in excess of the amount shown in the published notice, a second published notice of the adoption action must be made in the form and manner provided in Section 18-85 of the Truth in Taxation Act within 15 days. No hearing needs to be held after this subsequent publication.

Publication of the notice of the adoption of such levy must be in the following form:

The levy filed with the county clerk may not request extension of an aggregate levy in an amount greater than 105 percent of the prior year's extension unless the levy ordinance meets the Truth in Taxation Act requirement. The school board must file a certification by the presiding officer of the board stating that the provisions of the Truth in Taxation Act have been met or are inapplicable.

New school districts formed by consolidating previously existing districts are not bound by the provisions of this Act the first time they levy taxes. The terms of the Act cannot apply unless a district made a levy for the preceding year. If a school district annexes one or more districts, the Act does apply because the annexing district made a tax levy the preceding year.

Tax Rate Limitations

Tax rates for school districts are related to specific funds. School districts in Illinois are subject to various limitations in property tax rates for each fund. State law limits tax rates in most major funds to both a permissive level and a maximum level. The permissive level is the rate allowed without referendum approval of the voters of a district. The maximum rate is the limit allowed with referendum approval.

Table 10 shows school district tax-rate limitations in effect for the 1996-1997 school year.

Notice of Adopted Property Tax Increase
for (commonly known name of taxing district).

I. The corporate and special purpose property taxes extended or abated for (preceding year) were (dollar amount of the final aggregate levy as extended plus the amount abated prior to extension).

The adopted corporate and special purpose property taxes to be levied for (current year) are (dollar amount of the proposed aggregate levy). This represents a (percentage) increase over the previous year.

II. The property taxes extended for debt service and public building commission leases for (preceding year) were (dollar amount).

The estimated property taxes to be levied for debt service and public building commission leases for (current year) are (dollar amount). This represents a (percentage increase or decrease) over the previous year.

III. The total property taxes extended or abated for (preceding year) were (dollar amount). The estimated total property taxes to be levied for (current year) are (dollar amount). This represents a (percentage increase or decrease) over the previous year.

TABLE 1C

School District Tax Rate Limitations[a]
(Chicago District Number 299 not included)

	District Type	Percent without Referendum	Percent with Referendum
Educational Fund	Elementary	0.920[b]	3.50
	Secondary	0.920[b]	3.50
	Unit	1.840[b]	4.00[c]
Operations and Maintenance Fund	Elementary	0.250[b]	0.55
	Secondary	0.250[b]	0.55
	Unit	0.500[b]	0.75[c]
Capital Improvements Fund	All	0.000	0.75[d]
Transportation Fund	Elementary	0.120[e]	As Needed[f]
	Secondary	0.120	As Needed[f]
	Unit	0.200	As Needed[f]
Summer School	All	0.000	0.15
Bond and Interest Fund	All	N/A	As Needed[g]
Rent Fund	All	N/A	As Needed[g]
Municipal Retirement/ Social Security Fund[h]	All	As Needed[g]	N/A
Tort Immunity[i]	All	As Needed	N/A
Health Insurance	All	N/A	As Needed
Working Cash Fund	All	0.050	N/A
Fire Prevention, Safety, Energy Conservation and School Security	All	0.050	0.10
Special Education	Elementary	0.020	0.125
	Secondary	0.020	0.125
	Unit	0.040	0.250
Area Vocational Education	Secondary	0.000	0.05
	Unit	0.000	0.05
Tort Judgment Bonds	All	As Needed[g]	N/A
Facility Leasing	All	0.050	0.10
Temporary Relocation	All Eligible	0.050[j]	N/A

[a] These limitations apply to the 1996 tax levies for taxes extended and collected during calendar year 1997. N/A means not applicable.

[b] Subject to possible backdoor referendum (Section 17-2.2).

[c] Coterminous dual districts forming a unit district may have a maximum rate of 6.00 percent for educational, and 1.10 percent for operations and maintenance purposes (Sections 17-3 and 17-5).

[d] For a maximum period of six years.

[e] Certain elementary school districts which meet the requirements of PA 86-128 may levy at a rate not to exceed 0.200 percent, subject to the backdoor referendum provisions of Section 17-2.2.

[f] Section 17-4 places no maximum on the tax rate, if voter approved.

[g] In making a determination, the school district or county clerk must take into consideration district receipts of corporate personal property replacement funds.

[h] Separate levies are required for Municipal Retirement purposes and for Social Security/Medicare Only purposes.

[i] The Tort Immunity Act includes liabilities under the Unemployment Insurance Act and the Workers' Compensation and Occupational Diseases Acts.

[j] Eligible school districts may levy to repay the state for temporary relocation expenses (Section 17-2.2c).

House Bill 532, Public Act 88-376 amended Section 17-3 of the School Code effective January 1, 1994. In addition to authorizing school districts to increase their educational purposes tax rate by front-door referendum for an unlimited period of time, this Act authorizes school districts to seek such a voter-approved increase for a limited period of not less than three nor more than ten years.

With the 1985 enactment of an amended Section 9-107 of the Local Governmental and Governmental Employees Tort Immunity Act (745 ILCS 10/9-107), school districts may now include as allowable expenditures from the tort immunity levy the cost of risk-management (loss-prevention) programs. Risk management refers to planning and purchasing specialized prevention measures and insurance coverages for a wide variety of a school district's responsibilities. It includes identifying, measuring, and implementing processes for dealing with potential losses of property and injury to persons and their property.

The bill allows, under risk management, the hiring of consultants to review the physical plant and property of a school district to determine the existence of potential hazards which might result in workers' compensation claims or lawsuits against the school district. It also includes the hiring of consultants to review a school district's insurance coverage to make sure all necessary coverages are included in reasonable amounts. Risk management does <u>not</u> necessarily include payments of insurance premiums.

Property insurance means insurance protecting the district against loss or damage to its <u>own</u> property--buildings, building fixtures, personal property, and motor vehicles. Section 17-7 of the School Code states that "any sum expended for the payment of all premiums for insurance upon school buildings and school building fixtures [i.e., items of personal property permanently affixed to a building] shall be paid from the tax levied for operations and maintenance purposes." Expenditures for other types of property insurance are payable from either the educational fund or the transportation fund (Sections 17-7 and 17-8, the School Code).

Senate Bill 948 (Public Act 89-150), effective July 14, 1995, amended the Local Governmental and Governmental Employees Tort Immunity Act to explicitly permit a local entity that is individually self-insured to establish reserves for expected liabilities or losses for which the entity is authorized to purchase insurance under the Act. It establishes an actuarial standard for the creation of such reserves and more clearly enumerates the costs a public entity may pay in protecting itself against liability. Most significantly, it requires that interest earnings on funds raised pursuant to Section 9-107 of said Act may be used only for the enumerated insurance and liability protection purposes under the Act, or, if surplus, only for the abatement of property taxes levied by the local taxing entity.

Additional tax rate limitations were imposed by Public Act 87-17 (Senate Bill 1378). Public Act 89-1 (House Bill 200) extended the limitations to all non-home rule taxing districts in Cook County. This summary, with a few exceptions, is limited to the effects of this Act on school districts.

Property Tax Extension Limitation Law

The Property Tax Extension Limitation Law, commonly referred to as "Tax Caps," limits the increase in property tax extensions in certain counties to 5% or the percent increase in the national Consumer Price Index (CPI), whichever is less. The Act first applied to the 1991 levy year for taxes payable in 1992 for taxing districts in the counties contiguous to Cook County; for taxing districts in Cook County, the Act first applied to the 1994 levy year for taxes payable in 1995. Senate Bill 1511, Public Act 89-150, effective July 11, 1996 indirectly extends the provisions of the Property Tax Extension Limitation Law (PTELL) to the remaining 96 counties. The county board of a county not subject to the PTELL is allowed (not mandated) to submit to the county's voters the question of whether all non-home-rule taxing districts in the county shall be subject to the PTELL. Such referenda may be held at any regularly scheduled election except a consolidated primary election. Nineteen counties had the question on the ballot on November 5, 1996 (Boone, Champaign, Christian, Franklin, Jackson, Kankakee, Lee, Logan, Macoupin, Massac, Menard, Monroe, Morgan, Randolph, Sangamon, Schuyler, Union, Williamson, and Winnebago); voter approval of the question was secured in all counties except Massac County. As of the date of the writing, five counties plan to have the question on the April ballot (Adams, McDonough, McLean, Shelby, and Stephenson). Increases above 5% or the percent increase in the CPI must be approved by the voters in a referendum.

The Consumer Price Index used in the Law is the Consumer Price Index for All Urban Consumers (CPI-U) for all items published by the United States Department of Labor. If the percentage increase during the 12-month calendar year preceding the levy year is more than 5%, then the limitation is 5%; otherwise it is the rate of increase of the CPI-U. For the 1996 levy year, the limitation was 2.5%; for the 1997 levy year, the limitation is 3.3%.

This Law imposes a mandatory property tax limitation on taxing districts located entirely in Cook County and counties contiguous to Cook County: DuPage, Kane, Lake, McHenry and Will counties (collar counties). Levies for tort immunity, fire prevention and safety, and pension purposes are subject to the limitations.

Taxing districts that overlap into other counties are included in the mandatory provisions of this Law only if a majority of the equalized assessed valuation (EAV) for the 1990 levy year was in the collar counties. If a majority of the 1990 EAV was in counties bordering on the west or south of the collar counties, the limitation provisions do not apply to the district unless the provisions of Public Act 89-150 become applicable.

If taxing districts have all of their EAV in one county and the voters approve the proposition, the PTELL becomes applicable to these districts January 1 of the year following the referendum.

If taxing districts have their EAV in two or more counties a referendum must be held in each county in which the EAV of the district is located. If a majority of the EAV of the taxing district is located in one or more counties that have had a successful referendum, the PTELL becomes applicable to that district January 1 of the year following the last year a referendum was held in a county in which the taxing district has any EAV.

For example, in counties which had successful referenda on November 5, 1996, the provisions of the PTELL will become effective on January 1, 1997. The first taxes subject to the limitation will be levied in 1997. Taxes levied in 1996 (extended, collected and distributed in 1997) will not be affected by the PTELL, but the 1996 extensions will provide the base for calculating the 1997 limitations.

Home-rule taxing districts are not affected by the Law.

The following types of debt obligations are excluded from the limitation <u>if separate levies are made for each of them</u>:

1) General obligation bonds approved by referendum;

2) General obligation bonds issued prior to the effective date of the Law (October 1, 1991 in the collar counties; March 1, 1995 in Cook County; the date of the referendum which made the district subject to the Law in all other counties);

3) Bonds issued to refund or continue to refund those bonds issued prior to October 1, 1991, in the collar counties or March 1, 1995, in Cook County, or prior to the date of the referendum which made the district subject to the Law in all other counties; or approved by referendum;

4) Revenue bonds issued prior to October 1, 1991, in the collar counties or March 1, 1995, in Cook County or prior to the date of the referendum in all other counties which are backed by a property tax levy or the full faith and credit of the local unit of government; (Such an exemption is allowed only after all other sources are deemed insufficient to make the payment.)

5) Building Commission lease bonds issued prior to the effective dates of the Law;

6) Installment contracts entered into before the effective dates of the Law;

7) Bonds issued under the Metropolitan Water Reclamation District Act to finance construction projects initiated prior to the effective dates of the Law.

8) Limited bonds, to the extent the principal and interest payments do not exceed the district's debt service extension base less certain offsetting amounts.

Items 6) and 7) above do not apply to school districts.

Bonds issued on or after October 1, 1991, in the collar counties or March 1, 1995, in Cook County, or the date of the referendum in all other counties are not excluded from the limitation provisions unless they are approved by voter referendum or can be issued as "limited bonds.".

1) If no referendum is required by the statute authorizing the bonds or other obligations, or if they are subject to backdoor referendum, the governing body of the taxing district may pass an ordinance or resolution to put the question to the voters under Section 18-190 of the Property Tax Extension Limitation Law. If the question is approved by the voters, the bonds may be issued and are excluded from the limitation. If the question is turned down by the voters, the bonds may not be issued.

2) If a backdoor referendum has been called, the election held, and the issue approved by the voters, the bonds are excluded from the limitation.

3) Non-referendum bonds (Working Cash, Funding, Fire Prevention and Safety, Tort Judgment, and Insurance Reserve Bonds) may be issued as "limited bonds." The limited amount of the tax which can be extended to make principal and interest payments on such bonds is determined by each district's debt service extension base (DSEB). For school districts in Cook and the collar counties, the DSEB is the 1994 levy year extension (extended in 1995) to make principal and interest payments on non-referendum bonds. For all other school districts, the DSEB is the amount of taxes for the year in which the referendum is held which make the district subject to the law (extended, collected and distributed in the following year).

A taxing district, subject to the limitation provisions, may submit a question to the voters requesting a greater percentage increase in the extension than the lesser of 5% or the CPI-U increase. The referendum must be held at a regularly scheduled election in accordance with the election code and before the levy date. If approved by a majority of voters voting on the issue, the higher extension limitation shall be in effect for one levy year only.

Referenda held pursuant to this Act are exempt from the requirement that taxing districts may have only three referenda on a ballot.

Adjustments to the Limitation

1) Taxing districts will get an increase over the limitation proportional to the amount of new property added to the tax base as well as any annexations to the tax base.

2) If voters have approved a rate increase that is first effective in the levy year, the extension may be increased proportionally for that levy year and for the next four levy years.

3) If voters had approved a rate increase for a fund after December 31, 1988, and the taxing district did not increase its rate to the new maximum rate, a proportional increase is allowed for each of the four years after the levy year the increase is first effective.

4) If a taxing district had a decreased aggregate extension the previous year from the year before that, the limitation amount is based on the highest aggregate extension in any of the last three preceding levy years. For example, in extending taxes for 1996, assume the following extensions for the three prior years:

    1995 $600,000
    1994 $750,000
    1993 $720,000

In this example the extension was reduced in 1995, the year prior to the levy year from the year before, 1994. Thus, the district's base becomes the highest of the extensions for the three previous years: 1993, 1994, and 1995. The base is $750,000 for this taxing district.

Prior-Year Equalized Assessed Value

The prior-year equalized assessed value provision of the Law which applies only to Cook County, began with the 1992 levy year for tax bills payable in 1993. The provision continues for all subsequent years. This provision was not deleted by Public Act 89-1.

All taxing districts in Cook County are affected. All taxing districts overlapping into Cook County are affected, but only for the Cook County portion of the district.

The county clerk will first use the prior-year equalized assessed value of the Cook County portion of the property to compute the taxing district's extension amount. This means the most that can be raised for a fund is the maximum tax rate for that fund times the prior-year EAV for all property currently in the district. For overlapping taxing districts, the prior-year EAV will be used for the Cook County portion of the district and the current-year EAV for the rest of the district.

After computing the maximum extension using prior-year equalized assessed value, the county clerk must calculate the maximum extension by the formula which includes the increase of 5% or the percentage increase in the CPI-U, if less. The calculation which results in a lower extension will be used.

The taxes will be spread against the current-year EAV for the entire district. By spreading the tax burden against the current-year EAV, new property bears its fair share of the tax burden. Property deleted from the tax rolls will not get a tax bill, and corrections to EAV by the Board of Appeals or the County Assessor will be made before the tax burden is spread.

Interfund Transfers/Working Cash Fund

Under the fund accounting required of school districts, the revenues and assets of a given fund are restricted to the purposes of that fund. Under specific circumstances and conditions, monies may be transferred from one fund to another. This section outlines monies permissible for interfund transfers. Transfers require the specific authorization of the local board of education.

Permanent Transfers among Operating Funds. Senate Bill 22, Public Act 89-3 amended Section 17-2A of the School Code, effective February 27, 1995. The school board of any district having a population of less than 500,000 inhabitants may, by proper resolution following a public hearing (that is preceded by at least one published notice occurring at least seven days prior to the hearing in a newspaper of general circulation within the school district and setting forth the time, date, place, and subject matter of the hearing), transfer from (1) the Educational Fund to the Operations and Maintenance Fund or the Transportation Fund, (2) the Operations and Maintenance Fund to the Educational Fund or the Transportation Fund, or (3) the Transportation Fund to the Educational Fund or the Operations and Maintenance Fund of said district an amount of money not to exceed 20% of the tax actually received in the fund for the year previous to the transfer, provided such transfer is made solely for the purpose of meeting one-time, nonrecurring expenses.

Transfer of Interest Earned. Section 10-22.44 of the School Code delineates the general conditions which apply to the interest earned in a fund. Unless prohibited, school districts are permitted to transfer interest earned on the monies in any fund of the district to the respective fund of the district that is most in need of such interest income, as determined by the school board. The transfer is permissible unless the interest earned has been previously earmarked or restricted by the board for a designated purpose.

The law prohibits the transfer of interest earned on monies in the funds for Illinois Municipal Retirement; Tort Immunity; Fire Prevention, Safety, Energy Conservation and School Security; and Capital Improvements purposes. Special provisions apply to the transfer of interest from the Working Cash Fund. (See Working Cash Fund Interest.)

Senate Bill 1652, Public Act 87-984 amended Section 10-22.44, effective January 1, 1993. It added the following language to Section 10-22.44:

"Interest earned on these exempted funds shall be used only for the purposes authorized for the respective exempted funds from which the interest earnings were derived."

Interest earnings on federal funds are restricted to the purpose(s) for which the funds are received.

Excess Bond and Interest Fund Monies. Until 1986, the transfer of excess Bond and Interest Fund monies was limited by Section 19-4 of the School Code. Previously, excess funds on hand in the bond and interest account (fund) were required to be transferred to the district fund bearing the nearest relation to the purpose for which the bonds were issued (under the authority in Sections 19-2 through 19-6 of the School Code).

Legislation enacted in 1986 eliminated the authorization for transferring monies left in a bond and interest account (fund) when all bonds have been redeemed and all interest payments made. If monies remain in a bond and interest account (fund) and these monies are attributable to earnings on investments, the provisions of Section 10-22.44 of the School Code are applicable. Under these provisions these excess monies may be transferred to the district fund that is most in need of such interest income, as determined by the school board.

If monies remain in a bond and interest account (fund) and these monies are attributable to excess tax proceeds (taxes levied to pay interest on and redeem principal of bonds), there is no authorization to use those monies for any purpose. A district might consider transferring such excess tax proceeds to another bond and interest account (fund) and abating an equal amount of the taxes that will otherwise be levied for that purpose.

Bond Premium Treatment. Pursuant to Section 10-22.14 of the School Code, school districts shall exercise an option with regard to bond premiums. When proceeds from the sale of bonds include a premium, the board shall determine by resolution whether the premium realized in the sale of bonds is to be used for the purposes for which the bonds were issued, or instead, for payment of the principal and interest on those bonds.

Treatment of Interest Earned on the Investment of Bond Proceeds. When proceeds from the sale of bonds issued for fire prevention, safety, energy conservation, handicapped accessibility, school security and specified repair purposes, as specified in Section 17-2.11 of the School Code, are invested as authorized by law, the board shall determine by resolution whether the interest on the investment of such bond proceeds is to be used for the purposes for which the bonds were issued or for payment of the principal indebtedness and interest on those bonds. When any such transfer is made to the Bond and Interest Fund, the secretary of the school board shall notify the county clerk(s), within 30 days, of the amount of the transfer and direct the county clerks(s) to abate the taxes to be extended to make principal and interest payments on those bonds by an amount equal to the transfer (Section 10-22.14 of the School Code as amended by Public Act 87-984, effective January 1, 1993). When bonds are issued for any other purpose and the proceeds are invested as authorized by law, the interest earned on such investments may be transferred in accordance with the provisions of Section 10-22.44 of the School Code.

Treatment of Excess Bond Proceeds. When bonds, other than bonds issued for fire prevention, safety, energy conservation, handicapped accessibility, school security and specified repair purposes, are issued by any school district and the purposes for which the bonds have been issued are accomplished and paid for in full, excess proceeds of the bonds may be transferred by board resolution to the Operations and Maintenance Fund.

When bonds are issued by any school district for fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes, as specified in Section 17-2.11, and the purposes for which the bonds have been issued are accomplished and paid for in full, the board, by resolution, shall use any excess funds for

- other authorized fire prevention, safety, energy conservation, handicapped accessibility; school security, and specified repair purposes as specified in Section 17-2.11 or

- payment of principal and interest on those bonds through transfer to the Bond and Interest Fund.

If any transfer is made to the Bond and Interest Fund, the secretary of the school board shall notify the county clerk(s), within 30 days, of the amount of that transfer and direct the county clerk(s) to abate the taxes to be extended for the purposes of principal and interest payments on the respective bonds issued under Section 17-2.11 by an amount equal to such transfer (Section 10-22.14 of the School Code as amended by Public Act 87-984, effective January 1, 1993).

Section 34-29.3 of the School Code deals with excess funds on bonds issued by Chicago School District 299 under Sections 34-22 through 34-22.7. When the purposes for which the bonds have been issued are accomplished and paid for in full, excess funds may be transferred by board resolution to the Working Cash Fund.

Transfer of Excess Fire Prevention and Safety Tax Proceeds. When taxes are levied by any school district for fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes as specified in Section 17-2.11 of the School Code and the purposes for which the taxes have been levied are accomplished and paid in full and there remain funds on hand in the Fire Prevention and Safety Fund from the proceeds of the taxes levied, including interest earnings thereon, the school board by resolution shall use such excess and other board restricted funds excluding bond proceeds and earnings from such proceeds (1) for other authorized fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes or (2) for transfer to the Operations and Maintenance Fund for the purpose of abating an equal amount of operations and maintenance purposes taxes. If any transfer is made to the Operations and Maintenance Fund, the secretary of the school board shall within 30 days notify the county clerk to abate the taxes to be extended for the purposes of operations and maintenance authorized under Section 17-2 of this Act by an amount equal to such transfer.

Working Cash Fund Interest. Monies earned as interest from investment of the Working Cash Fund may be transferred from the Working Cash Fund upon the authority of the school board. A separate resolution must be enacted, directing the school treasurer to make such transfer to any other fund of the district. Specific provisions are contained in Section 20-5 of the School Code.

Working Cash Fund Balance to Educational Fund. The board of education of any school district may, by resolution, abolish its Working Cash Fund and transfer any balance to the Educational Fund at the end of the fiscal year. Outstanding interfund loans from the Working Cash Fund must be paid to the Educational Fund at the end of the fiscal year. Uncollected Working Cash Fund taxes, when collected, must be paid into the Educational Fund (Section 20-8).

"Abatement" of Working Cash Fund. Section 20-8 of the School Code permits a district to abolish its working cash fund and to transfer the balance of the fund to the educational fund. Although Section 20-8 does not mention abatement of the fund, Section 20-9 refers to re-creating a working cash fund which has been "abolished or abated..." Accordingly, "implicit in the provisions of Section 20-9...is the authority to abate a working cash fund." *(In re Application of Walgenbach (1984), 104 Ill.2d 121, 125.)* Since the balance of the fund when abolished may be transferred to the educational fund, it follows that any balance transferred from the fund when abated may be deposited in the educational fund as well.

Other Working Cash Fund Limitations. Section 20-6 of the School Code contains strong penalties for any member of a school board or any other person holding any office, trust, or employment under a school district who is guilty of willful violation of any of the provisions of Article 20 (the Working Cash Fund).

Further limitations to the Working Cash Fund are included in the Tax Anticipation Note Act (50 ILCS 420/0.01). These limitations affect Working Cash Fund transfers when tax anticipation notes have been issued. The following is an excerpt from Section 5 of the Act:

Whenever the unit of government has established a working cash fund, as provided by law, the tax rate shall not be reduced below the amount necessary to reimburse any money borrowed from the Working Cash Fund. It shall be the duty of the clerk or secretary of the unit of government, annually, not less than 30 days prior to the tax extension date, to certify to the county clerk the amount of money borrowed from the Working Cash Fund to be reimbursed from the specific tax levy. No reimbursement shall be made to the Working Cash Fund until there has been accumulated from the tax levy to pay the notes an amount sufficient to pay the principal of, and interest on, the notes to maturity. At such time as there are no notes outstanding, all proceeds of such levy shall be applied for the specific purpose or purposes for which the notes were issued.

Borrowing Money/Debt Limitations

Many school districts borrow money to meet cash flow needs or to finance capital projects. School board members and administrators should understand the various means under which borrowing may occur so that they adopt the best plan to meet the district's specific needs. The terms and conditions of borrowing money depend upon the credit rating of the district, i.e., a designation used by analysts or rating services to represent relative quality of debt issues. Numerous conditions within the control of the school board affect a district's credit rating. Good fiscal administration, full disclosure financial reporting, effective long-term financial planning, efficiency of operation, and sound board policies help establish a favorable credit rating. School districts should first determine if short-term cash shortages can be met by working cash fund loans or other interfund loans before incurring short-term debt through external sources.

Long-Term Borrowing

Maximum Bonded Indebtedness. Limitations on school district bonded indebtedness are determined in relationship to a district's equalized assessed valuation (EAV) of real property. Section 19-1 of the School Code contains the general debt limits for elementary and high school districts (6.9 percent of EAV) and unit districts (13.8 percent of EAV).

Section 19-1 also provides a maximum of 15.0 percent of EAV bonded indebtedness for certain growth districts when the regional superintendent and the State Superintendent of Education concur with the school board's enrollment projections and two-thirds of the electors approve the bond issue.

At times this section is amended to provide increased bonding power for districts which meet specific conditions.

- Bonds subject to the debt limitation provisions:
  - Building Bonds*
  - Fire Prevention and Safety Bonds**
  - Refunding Bonds**

- Bonds not subject to the debt limitation provisions but included in total bonded indebtedness***:
  - Working Cash Fund Bonds#
  - Funding Bonds#

- Bonds not subject to the debt limitation provisions and not included in total bonded indebtedness:
  - Tort Judgment Bonds**
  - Insurance Reserve Bonds**

* Voter approval required.
** May be issued without referendum, except for those districts in the counties affected by the Property Tax Extension Limitation Law.
*** May limit the issuance of bonds subject to the debt limitation provisions.
\# Subject to backdoor referendum.

In addition to bonded debt, these statutory debt limitations apply to Teachers' Orders, Employees' Orders and the principal portion of a three- or five-year lease-purchase agreement or a long-term lease agreement for a building or building addition.

Maximum Interest Rates. The maximum interest rate payable on all short-term debt instruments and all bonds (long-term debt instruments) issued is the greater of nine percent per annum or 125 percent of a market rate indicator. The current indicator is the "General Obligation Bonds Index" of average municipal bond yields as published in the most recent edition of *The Bond Buyer*. Measurement of this bond index is done at the time the contract is made for sale of the bonds, as authorized by Illinois Compiled Statutes, 30 ILCS 305/2.

Short-Term Borrowing

Short-Term Debt Limitations. Section 18-18 of the School Code limits school districts' issuance of state aid anticipation certificates, general obligation notes, and tax anticipation warrants so that the total amount of state aid certificates, notes, and warrants outstanding for any fiscal year may not exceed 85 percent of the taxes levied by the district for that year.

One exception to this limitation exists. Any district may now borrow up to 100% of the amount of General State Aid to be received in July even if it has borrowed to its maximum level as described above.

A district is also limited in the amount which can be accumulated in the Working Cash Fund. Whether through the sale of working cash bonds or through annual levy, the maximum amount that can be accumulated in the Working Cash Fund is 85 percent of the taxes permitted to be levied for educational purposes for the then current year plus 85 percent of the district's last known Corporate Personal Property Replacement Tax entitlement (Section 20-2).

Additional exceptions exist for any school district which has been certified by the State Board of Education as being "financially distressed." Please see Part VI.

Interfund Loans. The School Code authorizes school districts to make interfund loans as follows:

Operations and Maintenance Fund to the Educational Fund or the Transportation Fund or the Fire Prevention and Safety Fund (Section 10-22.33),

Educational Fund to the Operations and Maintenance Fund or the Transportation Fund or the Fire Prevention and Safety Fund (Section 10-22.33),

Transportation Fund to the Educational Fund or the Operations and Maintenance Fund or the Fire Prevention and Safety Fund (Section 10-22.33),

Working Cash Fund to any fund of the district for which taxes are levied (Section 20-4).

Monies that are temporarily idle and/or surplus in specific funds may be loaned to cover anticipated interim needs in certain other funds, as cited above. Such monies, excluding Working Cash Fund Loans, must be repaid to the proper fund within three years. Working Cash Fund loans must be repaid upon the collection of anticipated taxes. Exceptions to the payment of Working Cash Fund loans exist when tax anticipation notes are outstanding.

Even though interfund loans can be made to the Fire Prevention and Safety Fund, no interfund loans are permitted to be made from the Fire Prevention and Safety Fund.

Interfund loans require appropriate authorization by the board of education of the district.

State Aid Anticipation Certificates. Section 18-18 of the School Code allows school districts to issue a type of short-term debt known as State Aid Anticipation Certificates. Using certificates, money is loaned to a district against anticipated General State Aid payments. The certificates have the following general characteristics:

- Certificates may not be outstanding for more than 13 months.
- Certificates are payable solely from General State Aid payments.
- Certificates may be issued without referenda.
- The amount of certificates to be issued may not exceed 75 percent of the state aid allocated to the school district for that year as certified by the State Superintendent and the regional superintendent after subtracting the amount of funds available for transfer from the district's Working Cash Fund.

- The amount of certificates plus the amount of funds transferred from or available for transfer from the district's working Cash Fund, plus the amount of the district's general obligation notes and tax anticipation warrants outstanding for the year may not exceed 85 percent of taxes levied by the district for that year.

- The board, prior to issuing the certificates, must adopt a resolution designating the purposes for which the proceeds of the certificates are to be expended, the amount to be issued, maturity dates, rate of interest, and other optional provisions.

- Public Act 87-1215 permits districts to borrow up to 100% of their July State Aid payments; these loans must be repaid by August 1 and may be in excess of the limitations stated above.

Personal Property Replacement Tax Notes. Personal property replacement tax notes may be issued in an amount not to exceed 75 percent of the entitlement of replacement taxes anticipated for the year. The entitlement amount must be certified by the Director of the Illinois Department of Revenue. If the entitlement has not yet been certified, notes may be issued based upon 90 percent of the last known entitlement as certified by the Director of the Illinois Department of Revenue (50 ILCS 420/4.1).

Tax Anticipation Notes. School districts are authorized to issue *general obligation* notes in an amount (including principal, interest, and costs of note issuance) not to exceed 85 percent of the taxes levied less the amount available for loan in or loaned from the working cash fund. Anticipation notes may be issued in anticipation of all taxes, including those for which tax anticipation warrants may not be issued. No notes shall be issued during any fiscal year in which tax anticipation warrants are outstanding against the tax levied for the fiscal year.

Anticipation notes bear interest at a rate not exceeding the greater of nine percent, or 125 percent of the General Obligation Bonds Index of average municipal bond yields. Notes must mature within two years. A board of education is required to adopt a resolution fixing the amount of notes, the date and the maturity date, the rate of interest (unless the notes are to be sold by public bid), the place of payment, and the denomination (in equal multiples of $1,000). The board resolution must also provide for the levy and collection of a direct annual tax upon all taxable property in the district sufficient to pay the principal and interest on the notes to maturity (30 ILCS 305/2).

When tax anticipation notes are outstanding, it is the duty of the county clerk to reduce a district's specific tax rate by the percentage necessary to produce an amount to pay the principal and interest on the outstanding notes. When the district has established a Working Cash Fund, the tax rate is not reduced below the amount necessary to reimburse any money borrowed from the Working Cash Fund. It is the duty of the clerk or secretary of the district annually, and not less than 30 days prior to the tax extension date, to certify to the county clerk the amount of money borrowed from the Working Cash Fund that is to be reimbursed from the specific tax levy. No reimbursement may be made to the Working Cash Fund until an amount sufficient to pay the principal of, and interest on, the notes to maturity has been accumulated from the tax levy. The notes are executed in the name of the district by manual or facsimile signatures of district officials designated by the resolution. At least one signature on each note must be a manual signature. The notes may be issued in excess of any statutory debt limitation and do not operate to reduce the authority to incur debt otherwise authorized for the district. The issuance of notes does not require a referendum (50 ILCS 420/5).

Tax Anticipation Warrants. When there is no money in the treasury to pay the necessary expenses of the district, a school board may issue warrants or may provide a fund by issuing and disposing of warrants drawn against, and in anticipation of, any taxes levied for payment of necessary district expenses for transportation, educational, fire prevention and safety, and operations and maintenance purposes, or for payments to the Illinois Municipal Retirement System (but not the Social Security System), or for payments of maturing principal and interest of bonds. Warrants may be issued to a legal maximum of 85 percent of the total amount of the tax levied. The warrants show upon their face that they are payable in the numerical order of their issuance solely from such taxes when collected. Taxes must be set aside and held for warrant payment. Every warrant bears interest payable out of the taxes against which it is drawn, at a rate not exceeding the greater of nine percent, or 125 percent of the General Obligation Bonds Index of average municipal bond yields, per annum from the date of issuance until paid, or until notice is given that the money for the warrant is available (Section 17-16 of the School Code).

General Obligation Tax Anticipation Warrants. General Obligation Tax Anticipation Warrants are authorized by the Debt Reform Act.

Such warrants bear a specified due date and are secured by a levy of ad valorem taxes upon all taxable property in the district without limit as to rate or amount. No additional money should accrue to the district as a result of the tax levied to pay general obligation warrants because when the warrants are issued, the county clerk is instructed to reduce the specific tax rate by the percentage necessary to produce an amount to pay the principal of and interest on the warrants. A district may not issue general obligation tax anticipation warrants in excess of the 85 percent formula described above.

Under the Debt Reform Act, a district may issue *refunding warrants or general obligation bonds to refund warrants* should taxes or other revenues be delayed or insufficient to pay the warrants. The refunding warrants or bonds may also be secured by a levy of ad valorem taxes upon all taxable property in the district without limit as to rate or amount or, for a district subject to the Extension Limitation Law, may be issued as limited bonds.

Warrants initially issued are not regarded as or included in any computation of indebtedness for the purpose of any statutory provision or limitation. Refunding warrants and general obligation bonds issued to refund warrants may be issued without regard to existing debt limitations. Upon being issued, however, such general obligation refunding bonds or warrants must be included and regarded as indebtedness.

Teachers' Orders. Teachers' orders are, in effect, promissory notes for wages due, paid in lieu of cash or a check to a teacher. Wages of teachers are paid in a manner agreed upon by the school board, but at least one payment must be made during each school month. The board issues and delivers an order to the school treasurer for the amount of salary due. Teachers' orders must be issued when due, even though there is no money in the Educational Fund, and the orders become a liability against future Educational Fund revenue of the district.

The school treasurer cannot pay out funds of a district except upon an order of the school board signed by the president and clerk, or secretary, or by a majority of the board. When teachers' orders are presented to the treasurer and cannot be paid because of lack of funds, the treasurer endorses the orders over his or her signature "not paid for want of funds," marks the date of presentation and records the endorsements. After an endorsement, the order becomes negotiable and bears interest not exceeding the greater of nine percent, or 125 percent of the General Obligation Bonds Index of average municipal bond yields per annum. The order remains outstanding and interest accumulates until the treasurer notifies the clerk or secretary, in writing, that he or she has funds to pay the order. The order draws no interest after notice is given to the clerk or secretary (Section 8-16 of the School Code).

Charter school districts having a population of less than 500,000 may issue to teachers and other employees of the district, orders in payment of salaries (Section 32-4.14 of the School Code). (As of December 1, 1996, there are 12 such charter school districts in Illinois.)

Anticipation of Revenue Act

The Anticipation of Revenue Act (50 ILCS 425/1 et seq.) authorizes units of local government and school districts to issue obligations to anticipate revenue from any sources including, but not limited to, federal aid, State revenue sharing, local taxes and fees.

Anticipatory obligations issued against such expected revenues for any purpose shall not exceed 85 percent of such revenues. Written assurance of the amount of revenue to be received from a particular source must be filed with the proper county clerk before the obligations can be issued.

Obligations issued under this Act shall be due not more than 12 months from the date of issue and shall bear interest at a rate not exceeding the maximum rate authorized by the Bond Authorization Act (30 ILCS 305/0.01) at the time of issuance.

Several duties are imposed upon the Treasurer of the district including authentication of notes and coupons, providing certificates of authenticity, keeping a registry of each series of notes issued, transmitting funds to pay principal and interest, and insuring that notes are paid.

Severe penalties are provided if notes are issued in excess of the limitations. Any official of the unit of local government or school district who votes for or otherwise influences the issuance of notes under this Act in excess of the limitations provided in the Act "shall be liable for twice the sum of such excessive notes to the unit of local government or school district as the case may be and shall be ineligible for his office and be subject to removal from office."

Long-Term Borrowing

Bond Issue Notification Act

Public Act 89-655 (House Bill 2645), effective January 1, 1997, requires school boards to hold at least one public hearing concerning the school district's intent to sell non-referendum general obligation bonds or limited (tax) bonds before adopting the ordinance/resolution to sell the bonds.

The clerk or secretary of the board shall publish notice of the hearing at least once in a newspaper of general circulation in the district not less than 7 nor more than 21 days before the date of the hearing. The notice shall not be placed in the legal notice or classified advertisement sections of the newspaper. The notice shall be in substantially the following form:

> The ...... (governmental entity) will hold a public hearing on ... (date) at ... (time). The hearing will be held at .... (location). The purpose of the hearing will be to receive public comments on the proposal to sell bonds in the amount of $.... (amount) for the purpose of .... (state purpose).

Any notice that excludes that information shall be deemed invalid. Governmental units issuing non-referendum general obligation bonds or limited bonds subject to backdoor referendum under applicable law may publish one notice that includes both the information required by this Section and by the backdoor referendum provision.

At the required hearing the board shall explain the reasons for the proposed bond issue and permit persons desiring to be heard an opportunity to present written or oral testimony within reasonable time limits. The hearing may be adjourned to another date without further notice other than a motion, to be entered upon the minutes of the board, fixing the time, place, and date of the reconvened hearing.

The board shall not adopt the ordinance selling the non-referendum general obligation bonds or limited bonds for a period of seven days after the final adjournment of the public hearing.

School districts that are issuing either refunding general obligation bonds or refunding limited bonds are not required to comply with the provisions of this Act.

Health/Life Safety Bonds. If the Regional Superintendent of Schools having jurisdiction over a school district certifies to the school district and the State Board of Education that the work proposed for which the non-referendum general obligation bonds or limited bonds will be issued is work that is required in order to meet the minimum mandatory safety requirements under the Health/Life Safety Code for Public Schools created pursuant to Section 2-3.12 of the School Code, the school district issuing the bonds is not required to comply with the provisions of this Act. If the board of education of a school district exempt from Section 2-3.12 of the School Code (Chicago School District 299) certifies to the State Board of Education that the work proposed for which the non-referendum general obligation bonds or limited bonds will be issued is work that is required in order to implement a capital improvement program to provide for the health, life, and safety needs of the pupils, school personnel, and school district, the school district issuing the bonds is not required to comply with the provisions of this Act.

Emergency situations. School districts that are issuing non-referendum general obligation bonds or limited bonds for the purpose of making improvements or restorations, the necessity for which is caused by any casualty, accident, or emergency, are not required to comply with the provisions of this Act. As used in this Section, "emergency" means a condition requiring immediate action to suppress or prevent the spread of disease or to prevent or remove imminent danger to persons or property.

Working Cash Fund Bonds. For the purpose of creating or increasing a Working Cash Fund, the school board of a district having a population of less than 500,000 may incur a bonded indebtedness. Total indebtedness cannot exceed, in the aggregate, 85 percent of the taxes permitted to be levied for educational purposes for the current year plus 85 percent of the last known personal property replacement tax revenue entitlement minus any balance currently in the Working Cash Fund. The maximum amount a district can have in its Working Cash Fund is calculated by this same formula.

The Working Cash Fund may be created by issuance of bonds and/or by resolution of the school board to levy an annual tax not to exceed .05 percent. Working Cash Fund monies may be used only for the purposes of authorized interfund loans. Monies in the fund are not regarded as current assets available for school purposes and may not be used by the school board other than to loan monies with which to meet ordinary and necessary disbursements for salaries and other school purposes. The monies may be loaned to any fund of the district for which taxes are levied. Working Cash Fund monies are considered loaned in anticipation of the amount of taxes to be received in excess of the amount necessary to pay any outstanding tax anticipation warrants and related interest. Working cash fund loans must be repaid when the taxes which were anticipated are received (Sections 20-1, 20-2, 20-3, 20-4, and 20-7 of the School Code).

Funding Bonds. At times, orders for the wages of teachers or for the payment of claims are created that cannot be met from current revenue. These obligations may be paid by issuing funding bonds. Before issuing funding bonds, the school board must adopt a resolution declaring its intention to issue bonds for the purpose(s) provided. The notice of intent to issue bonds to pay claims must be published.

The notice informs a district's voters both that the school board intends to issue bonds and that bonds will be issued unless a petition requesting an election is presented to the board within 30 days from the date of the notice. If a petition signed by at least ten percent of the district's legal voters is filed requesting the school board to call an election, an election must be held before the bonds can be issued (Sections 19-8 and 19-9 of the School Code).

Refunding Bonds. Refunding bonds may be issued to pay the outstanding binding and subsisting legal obligations of a district. Refunding may be for bonds and interest due when funds are not available for their payment, or for reissuing (refinancing) callable bonds (which have not matured) at a lower rate of interest. If the district's indebtedness does not exceed the appropriate debt limitation at the time the bonds are issued, these bonds may be refunded by issuing refunding bonds at a later date. Refunding bonds may be issued without a referendum (Sections 19-15 and 19-16 of the School Code).

Fire Prevention, Safety, Environmental Protection, Energy Conservation, Handicapped Accessibility, School Security and Specified Repair Purposes Bonds. School districts may expend tax revenues for fire prevention and safety; the protection and safety of the environment, pursuant to the "Environmental Protection Act"; energy conservation; handicapped accessibility; school security; and specified repairs. **These expenditures must be as a result of a lawful order of any agency, other than a local board of education, having jurisdiction over school districts.**

Expenditures for fire prevention, safety, and environmental protection have priority over expenditures for energy conservation, school security, or other purposes. Section 17-2.11 allows a district to tax at a rate of .05 percent (5 cents per $100 EAV) for life-safety purposes. This rate may be increased to .10 percent (10 cents per $100 EAV) upon approval of a majority of the electors at a regularly scheduled election.

Section 17-2.11 also authorizes boards of education to issue bonds, without referendum, for fire prevention, safety, environmental protection, energy conservation, handicapped accessibility, school security and specified repair purposes. The intent of the law concerning the authority to issue bonds is to expedite the rehabilitation of buildings to meet fire prevention and safety standards, to meet environmental regulations, to reduce energy consumption, to improve handicapped accessibility, to provide security features, and to make specified repairs. (Note: School districts subject to the provisions of the Property Tax Extension Limitation Law will be required to have a referendum unless they qualify under the provisions of Senate Bill 368, Public Act 89-385, to issue "limited (tax) bonds.")

Building and School Site Acquisition. A school district is not required to hold a referendum to purchase a building site, but there must be a favorable vote by the voters of a district before bonds may be issued or a building constructed. Expenditures for the purchase of a building site and additions to existing structures may be made from the Operations and Maintenance Fund without approval of the voters. School boards shall not accumulate monies from taxes for operations and maintenance purposes unless there is voter approval for this action (Section 17-5.1 of the School Code). A favorable referendum must be held to authorize acquisition of a residential site for a school district (Sections 19-2 and 19-3 of the School Code).

The construction of school buildings or office facilities without a referendum is permitted only when the work is paid for with funds received from the sale or disposition of other buildings or lands of the school district or with funds received from sources such as gifts or donations. However, no funds derived from bonded indebtedness or a tax levy can be used for these purposes (Section 10-22.36 of the School Code).

School Sites and Office Facilities. A board of education may buy or lease school building sites and school offices. The purchase of such sites or office facilities may be by contract for deed, contracted for a maximum of ten years (Section 10-22.35A of the School Code). Districts may borrow funds for the purchase and/or improvement of real estate for vocational education purposes.

Section 10-22.12 of the School Code authorizes school boards to "lease, for a period not exceeding 99 years, any building, rooms, grounds and appurtenances to be used by the district for the use of schools or for school administration purposes; and to pay for the use of such leased property in accordance with the terms of the lease. The board shall not make or renew any lease for a term longer than 10 years, nor alter the terms of any lease whose unexpired term may exceed 10 years without the vote of 2/3 of the full membership of the board."

A school district may enter into such a lease agreement (with a local bank or an investment bank) for a building which has not yet been built or for additions, improvements or renovations of existing buildings. The bank may assign its interest in the lease to a trustee who then issues Certificates of Participation ("COPS") to investors. The proceeds of the sale of the "COPS" are used to pay for the acquisition or construction of the leased property. The lease payments made by the district to the trustee are used to pay interest on and retire the principal of the "COPS."

There is no authority for the district to levy a special unlimited tax as to rate or amount to make such lease payments. A district may, however, levy a tax to lease educational facilities under Section 17-2.2c of the School Code. The permissive rate for the leasing tax is .05 percent; it may be increased to .10 percent with voter approval. The proceeds of this tax are to be deposited in the operations and maintenance fund because Section 17-7 of the School Code requires payments "for the rental of buildings and property for school purposes" to be made from the operations and maintenance fund.

Revenue Bonds for Exhibition Facilities. Revenue bonds may be issued without referendum under Section 19a-2 of the School Code for buildings or stadiums constructed to be used primarily for athletic spectator sports. Section 19a-4 authorizes boards to issue bonds, after referendum, to pay deficiencies resulting from exhibition facilities' income being inadequate to make such payments.

Tort Judgment Bonds. Section 9-105 of the Local Governmental and Governmental Employees Tort Immunity Act (745 ILCS 10/9-105) allows school districts to issue tort judgment bonds for the payment of liabilities created by a tort judgment against the district.

Insurance Reserve Bonds. Section 9-105 of the Local Governmental and Governmental Employees Tort Immunity Act (745 ILCS 10/9-105) also allows bonds to be issued without referendum for the purpose of creating a reserve for the payment of any cost, liability or loss against which a district may protect itself or self-insure pursuant to Section 9-103 of the Local Governmental and Governmental Employees Tort Immunity Act, as amended, or for the payment of which a district may levy a tax pursuant to Section 9-107 of the Act, including, without limitation, any or all tort judgments or settlements entered against or entered into by the district. Such bonds may be issued in an amount necessary to fund a reserve created for any or all of these purposes. Such reserve fund, including interest earnings reasonably anticipated thereon, must not be funded in an amount in excess of that which is reasonably required for the payment of such costs (including costs of issuance associated with bonds issued for the purpose of funding such reserve fund). Such bonds do not count against the district's statutory debt limit. Monies on deposit in an insurance reserve fund funded from tax-exempt bond proceeds are subject to yield restriction from and after the date of issuance of the bonds, until and as such bonds are retired (Federal Arbitrage Laws).

Limited Bonds (Limited Tax Bonds). Districts subject to the provisions of the Property Tax Extension Limitation Law may issue non-referendum bonds using the debt service extension base provision. This provision allows county clerks to continue to extend taxes for a taxing district's non-referendum bonds at the same level as for the 1994 levy year in Cook and the collar counties or for the levy year in which the referendum was held (in the other 96 counties) which made the district subject to the law. When issuing new bonds that will be financed using this provision, the district must label them "limited bonds" under Section 15 of the Local Government Debt Reform Act. The debt service extension base can be created or increased by referendum.

If a district has no flexibility within its debt service extension base it can consider refunding its non-referendum bonds extending the length of the redemption period and reducing the annual requirements for principal and interest payments. A district may also consider issuing Capital Appreciation Bonds (CABs). A CAB is a governmental security on which the interest on an initial principal amount accretes (technical term) at a stated compounded rate until maturity at which time the investor receives a single payment representing both the initial principal amount and the total investment return interest. Since interest is not paid on a semi-annual basis, a district may issue bonds with no bond and interest tax levy until the year prior to maturity. This enables the district to structure new debt service around existing indebtedness.

Alternate Bonds. Alternate Bonds may be issued pursuant to the Debt Reform Act and the School Code whenever a school district has a lawfully available revenue source sufficient to provide in each year an amount not less than 1.25 times debt service on any outstanding alternate bonds payable from such revenue source and the alternate bonds to be issued. The revenue source must be pledged to the payment of the alternate bonds and the school board must convenant to provide for, collect and apply the revenue source to the payment of the bonds and an additional .25 times debt service. The bonds are also payable from a full faith and credit tax levy. The intent is that the revenue source will be sufficient to pay the bonds so that taxes need not be extended for their payment. Alternate bonds must be issued for a lawful corporate purpose. They do not constitute debt for the purpose of any statutory provision or limitation unless taxes, other than a designated revenue source, are extended to pay them. The issuance of alternate bonds must be approved by referendum if the requisite number of voters in the district files a lawful petition with the secretary of the school board within 30 days following publication of the district's intent to issue the bonds.

Contract Purchasing of School Buses. A school board, by resolution, may enter into a contract for the purchase of buses to be paid for within a three-year period from the date of the resolution or over such longer period of time as does not exceed the depreciable life of the vehicle (currently five years) (Section 10-23.4 of the School Code).

Alternate Sources of Long-Term Borrowing

Illinois Development Finance Authority

The Illinois Industrial Development Finance Authority was created by Public Act 81-434, effective September 7, 1979. Its title was changed to the Illinois Development Finance Authority (IDFA) and its powers were broadened to include units of local government (Public Act 83-669, effective September 23, 1983; Public Act 85-1154, effective July 29, 1988; and Public Act 86-819, effective September 7, 1989) (20 ILCS 3505/1 et seq.).

IDFA is dedicated to the advancement of economic development in the State of Illinois by providing Illinois local governments, businesses and not-for-profit organizations access to capital.

IDFA offers local governments throughout Illinois several important features which save money for borrowers. These include exemption from both state and federal income taxes, the ability to intercept tax, state aid and other revenues and direct them to the bond trustee to pay principal and interest on the bond issue, and to pool bond issues with similar borrowers. These features lower the cost of borrowing and increase the marketability of the issue. Additionally, school districts can benefit in the marketplace from issuing bonds through IDFA as a conduit financier and can rely upon the objective, innovative and experienced guidance of their team of municipal finance professionals.

Since October, 1994, twelve school districts have achieved significant interest savings by issuing bonds through IDFA.

- Belvidere Community Unit School District 100
- (Dundee) Community Unit School District 300
- Geneva Community Unit School District 304
- Palatine Community Consolidated School District 15
- Rockford School District 205
- St. Charles Community Unit School District 303
- Springfield School District 186
- (Wheaton-Warrenville) Community Unit School District 200
- Community H.S. District 155
- Indian Prairie Community School District 204
- Elgin School District No. U-46
- Lockport Township High School District 205

For additional information, contact the Illinois Development Finance Authority, 233 South Wacker Drive, Sears Tower - Suite 5310, Chicago, Illinois 60606, 312/793-5586, Fax 312/793-6347.

Illinois Rural Bond Bank

The Illinois Rural Bond Bank was created by state statute in 1989 to assist local governments in obtaining low-cost capital for infrastructure and other public improvement projects.

The Bond Bank initially served local governments located outside the Chicago metropolitan area. In 1995, the state expanded the Bond Bank's territory to include also DuPage, Kane, Lake, McHenry and Will counties.

The municipal bond market is the primary source of capital for Bond Bank programs. Through a process called conduit financing, the Bond Bank sells its bonds in the market and lends the proceeds of the sale to participating local governments. The Bond Bank retires its debt with the principal and interest payments it receives from the local government loans.

Since Bond Bank bonds are backed by the moral obligation of the State of Illinois and the interest on Bond Bank bonds is exempt from state as well as federal income tax, lower overall borrowing rates are obtained. The Bond Bank's ability to pool a number of financing needs into one large bond issue provides additional savings by sharing the costs of issuance among the participating local governments.

Teaming up with the Bond Bank gives local governments an independent and experienced financial resource that assures a cost-effective borrowing. Many local governments that have no professional financial staff, relatively small or infrequent borrowing needs, or no bond rating may face difficulty and incur undue costs by issuing bonds on their own behalf. The Bond Bank team helps local governments overcome these obstacles.

The Bond Bank has provided almost $59 million to 105 local governments in Illinois. Projects financed include water and sewer improvements, school buildings and life-safety improvements, road improvements, solid waste facilities, equipment purchases, and park improvements. The Bond Bank also helps local governments raise working cash and refinance existing debt.

Access to capital, reduced interest rates and lower financing costs combine to make the Bond Bank an attractive borrowing alternative for local governments throughout the state.

For additional information, contact the Illinois Rural Bond Bank, 427 E. Monroe Street, Suite 202, Springfield, Illinois 62701, 217/524-2663, FAX 217/524-0477.

Southwestern Illinois Development Authority

The Southwestern Illinois Development Authority (SWIDA) was created by Public Act 85-591, effective September 20, 1987. Public Act 86-1455, effective December 12, 1990, revised financing provisions of the Authority, and Public Act 89-460, effective May 24, 1996, made SWIDA Bonds exempt from state income taxes. Units of local government, including school districts, located within the boundaries of the Authority (Madison and St. Clair Counties) are now permitted to sell bonds to/through the Authority and pledge General State Aid and other State revenues received through the State Board of Education to meet principal and interest payments (70 ILCS 520/1 et seq.). SWIDA also has the power to buy, sell, lease, and develop property.

School districts in Madison and St. Clair Counties may secure additional information by contacting the Southwestern Illinois Development Authority, Magna Bank Center, 1 Eastport Plaza Drive, Collinsville, Illinois 62234, 618/345-3400.

Recording of District Revenues and Expenditures

The recording of revenues and expenditures of a school district is governed by a uniform chart of accounts promulgated by the State Board of Education. Information on the Illinois Program Accounting Manual for Local Education Agencies (the chart of accounts) may be obtained from the State Board of Education, Financial Outreach Services Division at 217/782-2491.

Corporate Personal Property Replacement Funds. Corporate personal property replacement funds are collected and distributed by the Illinois Department of Revenue. Districts began receiving payments of corporate personal property replacement tax revenue in January 1980. Replacement revenues are recorded as "Payments in Lieu of Taxes" - Revenue Account Number 1230. The payment schedule for corporate personal property replacement funds is eight payments per year. The scheduled payment dates are:

January 20	July 20
March 20	August 20
April 20	October 20
May 20	December 20

Corporate personal property replacement tax (CPPRT) revenues must be applied first to the Bond and Interest Fund (for bonds issued prior to January 1, 1979) and second to the Municipal Retirement/Social Security Fund to replace tax revenues lost due to the abolition of the corporate personal property tax. Since "Medicare Only" payments were not in existence at that time, none of these taxes are required to be allocated for the "Medicare Only" portion of the Social Security payments. The bond and retirement lien percentages of the personal property replacement tax are based on the 1978 tax year collections of property taxes. Steps for computing the lien amounts for the Bond and Interest Fund and the Municipal Retirement/Social Security Fund (MRF/SS) are as follows:

1. Amount needed* for Bond and Interest payments for bonds issued prior to January 1, 1979, $__________.
2. Amount needed* for Municipal Retirement/Social Security Fund (MRF/SS) $__________.
3. 1978 Corporate Personal Property Tax Collections Divided by 1978 Total Tax Collections = 0.xx
4. Line 1 x Line 3 = Earmarked Bond and Interest Money
5. Line 2 x Line 3 = Earmarked MRF/SS Money

* As shown in the current year's budget

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After satisfying the liens for the Bond and Interest Fund and the Municipal Retirement/Social Security Fund, the corporate personal property replacement tax revenue may be deposited into any fund which receives taxes.

Tax Revenues. Upon receipt, tax revenues are to be prorated according to the tax extension into the respective account and/or fund. School districts receiving taxes under an accelerated method of tax billing should use the prior year's proration schedule. If the district is informed of the actual proration prior to July 1, then the district makes the necessary adjustments. If the district does not know the proration by July 1, the district auditor makes the necessary adjustments retroactive to June 30.

The initial distribution of taxes shall not be regarded as being only for one fund (the Educational Fund, for example); it must be prorated among all funds for which taxes were levied as explained above.

Proceeds from Sale of Property. School boards are required to use the proceeds from the sale of school sites, buildings, or other real estate to pay the principal and interest on any outstanding bonds on the property being sold. An equal amount of taxes levied for bond and interest payments must then be abated. After all such bonds have been retired, the remaining proceeds from the sale shall next be used by the school board to meet any urgent district needs as determined under Section 2-3.2 of the School Code (School building code) and Section 17-2.11 of the School Code (fire prevention, safety, and other specified purposes) and then may be utilized for any other authorized purpose and may be deposited into any district fund (Section 5-22 of the School Code). This revenue is recorded in Revenue Account Number 7320, "Sales of Buildings and Grounds."

General State Aid. Section 18-8 of the School Code provides that General State Aid monies may be recorded into any fund from which the district is authorized to make expenditures. The revenue is recorded in Account Number 3001. General State Aid monies may not be recorded in the Working Cash Fund, as no expenditures (only loans and transfers) are permitted from the Working Cash Fund.

Supplementary State Aid. Supplementary state aid received under the provisions of Sections 18-8(A)(1)(m), 18-8(A)(5)(m), 18-8.2, 18-8.3, 18-8.4, or 18-8.5 of the School Code is recorded as revenue in any fund from which the district is authorized to make expenditures. For appropriate account numbers, see the most recent version of the Illinois Program Accounting Manual. Such receipts (revenues) may not be recorded in the Working Cash Fund.

Privilege Tax on Mobile Homes. The revenues from the privilege tax on mobile homes are recorded in Revenue Account Number 1210. These tax monies may be recorded in any fund of the district.

Impact Fees. Impact fees (also called development fees) are charges assessed against new development that attempt to cover the cost of providing services needed to serve the development. Generally collected at the building permit stage, impact fees are a relatively new source of revenue for counties and municipalities that promote the use of impact fees as a way for growth to "pay its own way." By charging at the beginning for these new services or infrastructure needs, local officials believe this will help ensure that existing residents will not have to bear the new costs. The logic behind this rationale is that existing residents have already paid or committed to pay for existing services, and each new growth area should help to pay for the new service needs it has specifically created.

Voluntary impact fees have also been requested of developers by municipalities and school districts. School districts should record such impact fees in Revenue Account 1290, Other Payments in Lieu of Taxes.

Capital Development Board Bond Funds. In the event that school districts receive funds from the Capital Development Board for the retirement of bonds, they are to record these monies as follows:

1. The principal amount is recorded in the Bond and Interest Fund under the classification, Capital Development Board Bond Principal, Revenue Account Number 3900.

2. The debt service interest amount is recorded in the Bond and Interest Fund under the classification, Capital Development Board Bond Interest, Revenue Account Number 3905.

Handling of Selected District Expenditures

School Reform Expenditures. Expenditures from school reform revenues are recorded under the appropriate functions, i.e., the programs or areas for which the revenues are intended. Refer to Chapter 3 of the *Illinois Program Accounting Manual for Local Education Agencies* (IPAM/LEA) to determine the current functions. Examples of appropriate function numbers are

Function 1110, Elementary Instruction for the Reading Improvement Program;

Function 1130, High School Instruction for Driver Education;

Function 1200 (series), Special Programs for Early Childhood, Preschool, and Alternative Education Programs; and

Function 2210, Improvement of Instruction Services for any programs related to improvement of instruction, such as the costs of inservice programs.

Board Payment of Employee Share of Teacher Retirement. In those instances where local boards of education have agreed to pay all or a portion of the employee contribution to the

Teachers' Retirement System, the payment should be coded as an employee benefit (Object #2, *Illinois Program Accounting Manual for Local Education Agencies*). Salaries are charged to the appropriate function numbers (i.e., the function under which the employees work). Employee benefits are also charged to the appropriate function numbers.

Employee and employer contributions for early retirees must be based on the highest, rather than last, full-time annual salary during the fiscal years which were considered in determining the final rate of earnings. The employer pays any employer contributions from the same fund which is used to pay earnings to employees.

Unemployment Insurance. School districts have the option of electing a percentage contribution or a dollar-for-dollar reimbursement to the State Unemployment Insurance Program. Federal program monies may be used for their proportionate share of the contribution payment or toward building a self-insurance reserve for making reimbursement payments. Expenditures are charged to the same fund from which salaries are paid. Districts should charge expenditures to Account Number 1-2310-380 in the Educational Fund; Account Number 2-2540-380 in the Operations and Maintenance Fund; and Account Number 4-2550-380 in the Transportation Fund. If more detailed cost allocation is desired, districts can distribute the Educational Fund costs to the proper functions. School districts may levy under tort immunity for unemployment compensation insurance purposes.

Medicare-Only Payments. Some school employees who are exempt from Social Security coverage (certified personnel covered under the Teachers' Retirement System) are covered under Medicare-Only requirements. In these instances the employer's share of benefits (1.45 percent of all earnings for calendar year 1994 and thereafter) is to be charged to the same function or functions as the employee's salary, Object Code 214. House Bill 2630 (Public Act 84-1472), effective January 23, 1987, authorized separate levies for Municipal Retirement purposes and Social Security purposes (including Medicare Only), effective with 1987 taxes payable in 1988.

Free Meals-Social Security Payments. The Social Security Division of the State Employees' Retirement System of Illinois instructions concerning the wage status of meals or lodging furnished employees are that meals furnished employees are not considered wages for social security if the meals are furnished on the school premises and are furnished for the convenience of the employer.

Shelterability of Board-Paid Teacher Retirement. The Internal Revenue Service has issued two general revenue rulings under which a board of education may treat its contributions to the State Teachers' Retirement System (TRS) on behalf of its employees as excludable from gross income for federal income tax purposes. Under the rulings, board contributions to TRS are treated as excludable from gross income if the district's plan meets the following two criteria:

- The board must specify that the contributions, although designated as employee contributions, are being paid by the board in lieu of contributions by the employee, and

- The employee must not be given the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the pension fund.

Public Treasurers' Investment Pool

Finding a suitable place for short-term investments of small amounts of excess monies may be difficult for some school district treasurers. The Illinois Public Treasurers' Investment Pool (IPTIP) is designed to provide a convenient and economical means of investing short-term funds. The management and operation of the pool under the supervision of the State Treasurer is open to participation by local school districts and other governmental units.

Other features of the pool include

- **Liquidity**. Deposits and withdrawals are made by wire transfer or check at the sole discretion of participating treasurers with no prior notification to the Pool's custodian.

- **Maximized Income**. All income is computed and credited daily. Friday deposits into the Pool earn interest for Friday, Saturday, and Sunday.

- **Daily Valuation of** Assets. All assets in the Pool are valued daily in conformance with State statutes and policies of the State Treasurer.

- **No Minimums**. There are no minimum deposit or withdrawal levels. Participants maintain full control over the flow of their assets.

- Fees. IPTIP pays all expenses relating to the operation of the Pool from an administrative charge of .25 percent on its assets while the Pool balance is over $500 million. When the Pool balance falls below $500 million, the administrative charge is increased to .27 percent.

- **Check Writing**. Upon the request of participating treasurers, the custodian will establish checking accounts for each IPTIP account opened. Public treasurers can use their IPTIP checks to pay bills, meet employee payrolls, or meet any other financial obligations.

As of November 30, 1996, 38 ROEs, 28 school district treasurers (in Cook County), and two ISCs have funds received for distribution to LEAs deposited directly into IPTIP accounts. If an ROE were to have all of its districts in IPTIP there would be an automatic flow-through of funds from the ROE account to the districts' accounts.

To secure additional information on participation in IPTIP, contact the Illinois State Treasurer, State of Illinois Center, 100 West Randolph, Suite 15-600, Chicago, Illinois 60601. A toll-free telephone number, 800/346-7414, is provided for the convenience of public treasurers.

Illinois School District Liquid Asset Fund Plus

The Illinois School District Liquid Asset Fund--Plus (ISDLAF+) is a comprehensive cash management service that was created in 1984 by the Illinois Association of School Boards, the Illinois Association of School Administrators, and the Illinois Association of School Business Officials. ISDLAF+ offers its participants two professionally managed portfolios—the Liquid Series and the MAX Series—that provide competitive money market rates. The Series' rates are earned on the pooled investments of participating public school and community college districts. Interest earnings are calculated daily on every dollar in each Series and credited to each participant's account at the end of the month. Money is deposited by wire transfer and can be withdrawn either by wire transfer (the MAX Series has a minimum 30-day investment period) or in the case of the Liquid Series, simply by writing a check. There is no limit to the number of checks a district may write per month or the amount of each check and no prior notification is needed. Computerized or manual checks are available. The underlying portfolios of investments are managed on a day-to-day basis by a professional money manager, Cadre Securities, Inc., Ronkonkoma, New York.

ISDLAF+ also provides a variety of fixed-rate/fixed-term investment alternatives. These options include 1) $100,000 federally insured certificates of deposit (CDs); 2) U.S. Treasury securities; 3) U.S. government agency securities and securities of government sponsored entities; 4) commercial paper; and 5) bankers' acceptances.

In addition, ISDLAF+ provides participating school districts and community college districts with customized bond reinvestment programs complete with arbitrage calculations and through its Managed Account Program (MAP) provides individualized investment management which continually "fine tunes" a district's investment needs to meet projected cash flow demands.

ISDLAF+ is governed by the participants who elect nine Trustees who are school board members, superintendents, school business managers/treasurers and chief financial officers of community colleges. The Trustees adopt policies that provide for the day-to-day operation of the Fund and its additional services and hire the professionals who deliver the services. ISDLAF+ programs are endorsed by IASB, Illinois ASBO, and IASA.

For further information about the operation and structure of ISDLAF+ and the options and advantages provided, call or write ISDLAF+, c/o Cadre Securities, Inc., Suite 266, 40 Shuman Boulevard, Naperville, Illinois 60563, 888/ISDLAFP.

State of Illinois Cooperative Purchasing Program

The Governmental Joint Purchasing Law (30 ILCS 525/1 et seq.) allows the cooperative purchasing of personal property, supplies, and services by certain governmental units, including school districts, under a state-organized program. As amended by Senate Bill 1944 (Public Act 87-960), effective August 28, 1992, the Law now permits any not-for-profit agency that meets certain specified requirements to participate in this program.

Joint purchasing generally reduces expenditures due to volume buying and reduced advertising costs. Along with actual dollar savings, indirect savings must also be considered. Elimination of administrative duplication in processing requisitions, evaluating bids, making awards and testing items is an example of indirect savings. It may not be practical to purchase cooperatively all required items of a governmental unit, and not all items are available through this program. Examples of items which may be purchased cooperatively include light bulbs, office supplies, maintenance and automotive supplies, and school buses.

The joint purchasing program is administered by the Illinois Department of Central Management Services. Districts interested in the cooperative purchasing program should contact:

> Joint Purchasing Coordinator
> Procurement Services Division
> Department of Central Management Services
> 801 Stratton Building
> Springfield, Illinois 62706
> 217/785-7304

School District Contracts

All contracts awarded by school districts must be in compliance with the provisions of Section 10-20.21 of the School Code. This section requires all contracts in excess of $10,000 to be awarded to the lowest responsible bidder as determined by the competitive bidding process, except for contracts which are exempted from the competitive bidding requirement. Section 10-20.21 also contains requirements for sealed bids, public bid openings, and advertisement and notice to bidders.

Contracts must be issued to the lowest responsible bidder "considering conformity with specifications, terms of delivery, quality and serviceability."

Fourteen specific types of contracts are exempted from the requirements:

1. Contracts for the services of individuals possessing a high degree of professional skill where the ability or fitness of the individual plays an important part;

2. Contracts for the printing of finance committee reports and departmental reports;

3. Contracts for the printing or engraving of bonds, tax warrants and other evidences of indebtedness;

4. Contracts for the purchase of perishable foods and perishable beverages;

5. Contracts for materials and work which have been awarded to the lowest responsible bidder after due advertisement, but due to unforeseen revisions, not the fault of the contractor for materials and work, must be revised causing expenditures not in excess of 10% of the contract price;

6. Contracts with the manufacturer or authorized service agent for maintaining, servicing or providing repair parts for equipment, where the provision of parts, maintenance, or servicing can best be performed by the manufacturer or authorized service agent;

7. Purchases and contracts for the use, purchase, delivery, movement or installation of data processing equipment, software or services and telecommunications and interconnect equipment, software and services;

8. Contracts for duplicating machines and supplies;

9. Contracts for the purchase of natural gas where the cost is less than that offered by a public utility;

10. Purchases of equipment previously owned by some entity other than the district itself;

11. Contracts for repair, maintenance, remodeling, renovation or construction of a single project involving an expenditure not to exceed $20,000 and not involving a change or increase in the size, type or extent of an existing facility;

12. Contracts for goods or services procured from another governmental agency;

13. Contracts for goods or services which are economically procurable from only one source, such as for the purchase of magazines, books, periodicals, pamphlets and reports and for utility services such as water, light, heat, telephone or telegraph; and

14. Where funds are expended in an emergency and such emergency expenditure is approved by 3/4 of the members of the board.

Indirect Costs

Indirect costs (frequently called overhead costs in the private sector) are costs of a general nature incurred for the benefit of several activities (programs, grants, or contracts). These are widespread costs that cannot be readily identified with only one activity, but that benefit several activities for a common or joint purpose. Indirect costs include costs for supporting services such as purchasing, budgeting, payroll, accounting, data processing, and staff services.

Direct costs are those costs that are readily and specifically identified as costs for a particular activity and chargeable to a certain area or program. Direct costs include salaries, employee benefits, and all other direct program cost expenses (but exclude distorting expenses such as capital outlay and debt retirement).

Rather than trying to allocate the various indirect costs to the applicable programs, grants or contracts, an indirect cost rate can be used to charge these general expenses to the various activities. The indirect cost rate is the ratio of the district's total indirect costs to the total direct costs. This rate (computed as a percentage) can then be used to determine the indirect costs applicable to a particular program, grant or contract.

There are two types of indirect cost rates--restricted and unrestricted. Their uses are determined by applicable state or federal law, but in general:

A restricted rate is applied to programs that only supplement and do not supplant or replace local efforts. This rate contains indirect costs primarily related to administration and business support functions. Unrestricted rates apply to other federal programs which do not contain supplanting assurances.

The amount of indirect costs to be borne by a program is determined by multiplying the appropriate indirect cost rate by the direct costs charged to the program.

Indirect cost rates must be calculated by the Illinois State Board of Education under United States Department of Education (DOE) guidelines. The rate is based on applicable expenditures from the school districts' Annual Financial Report. Sample restricted and unrestricted indirect cost computations are shown in Appendix H. Instructions are included in Appendix I.

Per Capita Tuition Charge and Operating Expense Statistics

The *per capita tuition charge* represents expenditures by a local district from funds received from local property taxes, Common School Fund monies, Education Assistance Fund monies, and federal impact aid plus allowances for depreciation. This is the amount a district charges as tuition to nonresident pupils. Section 18-3 and Section 10-20.12a of the School Code define the procedures for computation of the per capita tuition charge. It is computed by deducting revenues for State categorical programs, local user fees, and federal receipts and by adding a depreciation allowance to the allowable operating expenses. A sample per capita tuition charge computation is shown in Appendix J.

The formula for computing the per capita tuition cost of children attending special education classes in another district (Section 14-7.01 of the School Code) provides that the net cost of conducting and maintaining any special education facility shall be divided by the average number of pupils in average daily enrollment in lieu of average daily attendance.

The *operating expense per pupil* represents the total operating cost of a local district except for non-regular K-12 program expenses. Non-regular program expenses include those for adult education, summer school, and capital expenditures. The statistics are computed annually from information contained in a district's Annual Financial Report. Per pupil cost is obtained by dividing the allowable expenditures by the average daily attendance for the regular school year. A sample of the operating expense per pupil computation is shown in Appendix J.

Table 6 in the Overview provides a five-year comparison of average per Capita Tuition Charges and Operating Expenses per Pupil by type of district and for Chicago School District 299.

Business Official Certification

Section 10-22.23a of the School Code empowers school boards to employ a chief school business official. Any chief school business official first employed on or after July 1, 1977, is to be certified under Section 21-7.1. Experience as a school business official in an Illinois public school district prior to July 1, 1977, is deemed the equivalent of certification.

Intermediate Service Centers

The 1985 school reform legislation authorized the establishment of 18 Educational Service Centers to coordinate and combine existing services including gifted education, computer technology, mathematics, science and reading resources. Senate Bill 937 (Public Act 88-89) provided that the 14 Educational Service Centers located outside Cook County were to be disbanded in August 1995 and their responsibilities and programs transferred to regional offices of education. The Educational Service Center serving Chicago School District 299 was eliminated via the waiver process provided in Public Act 89-3, effective February 27, 1995.

Educational Service Centers are now Intermediate Service Centers.

For further information, contact the Regional Office of Education Services Unit at 217/782-0342 in Springfield or at 312/814-2222 in Chicago.

Vocational Education Regional Delivery Systems

Sixty Vocational Education Regional Delivery Systems (Edu- for Employment Regional Delivery Systems) have been established throughout the State. The fiscal years for these systems is July 1 through June 30. They use joint agreement budget forms (Form ISBE 50-34) and annual financial report forms (Form ISBE 50-60).

Retention and Destruction of School Records

Under the authority of the Local Records Law (50 ILCS 205/1 et seq.), all local government agencies must make application to the appropriate Local Records Commission prior to the destruction of any local government records. An Application for Authority to Dispose of Local Records (Form LR 26.4 for Cook County and Form RM/M RM-9 for all other counties) is prepared for the agency by the staff of the State Archives and submitted to the appropriate Commission for review. When the application is approved, a minimum retention period will be listed (under recommendations) for each record maintained by the school district.

The Local Records Commission of Cook County meets the second Tuesday of each month in Chicago in the County Building, and the Local Records Commission meets the first Tuesday of each month in Springfield in the State Archives Building.

If a school district does not have an approved Application for Authority to Dispose of Local Records or needs to add records to its current application, the school district should contact the Illinois State Archives, Records Management Section, Local Records Unit, State Archives Building, Springfield, Illinois 62756. School districts in Cook County may contact the Local Records Unit at 217/782-7076, and school districts in all other counties may contact the Local Records Unit at 217/782-7075.

Illinois Local Records Act

The retention and destruction of all school records is governed by the Local Records Act. The Local Records Commissions do not publish retention schedules. With the assistance of the school district, field representatives of the Local Records Unit conduct records inventories. After the inventory has been completed, the field representative prepares the Application for Authority to Dispose of Local Records and submits the application to the Local Records Unit for review. The staff of the Local Records Unit located in Springfield type the applications for both commissions.

After the appropriate Local Records Commission has reviewed the application, the school district will be notified of the Commission's decision. If the application is approved, a copy is sent to the school district along with a blank Records Disposal Certificate (Form LR-4.9) and an instruction sheet for completing the disposal certificate.

The purpose of the Records Disposal Certificate is to request the disposal of specific records for which a retention period has been established in the school district's Application for

Authority to Dispose of Local Records. Under the Illinois Administrative Code, school districts are required to submit the Records Disposal Certificate sixty (60) days prior to the proposed disposal date. The Disposal Certificate will be reviewed to determine if the retention requirements of the Application for Authority to Dispose of Local Records have been met. After the disposal certificate has been reviewed in Springfield, the school district will be sent a letter stating whether all the records requested for disposal have been approved for disposal. The disposal certificate will also be reviewed by the Illinois Regional Archives Depository (IRAD) Unit to determine if there are historical records listed on the disposal certificate which the State Archives may be interested in transferring to one of the IRAD depositories.

Microfilming

If original paper records are to be destroyed and/or if the school district intends to use microfilms as substitutes for the originals, an Application for Authority to Dispose of Local Records must be secured from the appropriate Local Records Commission.

If a school district intends to use microfilms as substitutes for original records, the school district should contact the Local Records Unit to obtain a copy of the rules and regulations of the appropriate Local Records Commission regarding microfilming of records.

Optical Disk Technology

Neither the Local Records Commission, nor the Local Records Commission of Cook County, has promulgated any rules concerning the use of optical disk technology. This position will be reviewed after complete standards are set by ANSI and/or the National Archives and Records Administration. Until that time, paper records generated or received by local government agencies in Illinois (with a retention of more than ten years) may not be disposed of before their retention periods are complete unless they are converted into an archival microfilm format.

However, records with a retention period of ten years or less may be digitized and maintained in an optical format providing this action is noted on a Records Disposal Certificate filed in the Illinois State Archives office before the original records are disposed of.

It is also the opinion of the Assistant Director, Illinois State Archives that optical disk imaging can be used as a method to create microforms. The microforms produced from computer generated images or original documents may serve as substitutes for the original documents as long as the film conforms with the rules of the appropriate Local Records Commission. Therefore, a school district may scan a document with an optical character reader and produce microforms from the electronic data base. The original record may then be disposed of it the film meets the appropriate Commission's standards, and if the school district files a "Disposal Certificate" with the Local Records Unit of the Illinois State Archives.

E-mail

It should also be noted that information received or created in E-mail systems has the same retention requirement as identical information stored in a different record format.

Statutory Retentions and Student Records

The Attorney General of Illinois issued an opinion (File No. 83-018) on October 7, 1983, stating in part "...before destroying any temporary or permanent student record, or information contained therein, the school district must obtain the written approval of the appropriate local records commission before destroying or otherwise disposing of such records."

The retention periods approved by the Local Records Commission reflect provisions of any applicable laws including the Student Records Act.

All questions concerning the Local Records Act should be directed to the Illinois State Archives, Local Records Unit, M. C. Norton Building, Floor 1E, Springfield, Illinois 62756, 217/782-1082.

Prevailing Wages

The Prevailing Wage Law (820 ILCS 130/1 et seq) requires each public body, during the month of June of each calendar year, to investigate and ascertain the prevailing rate of wages as defined in the Law and publicly post or keep it available for inspection by any interested party. The public officials can conduct their own investigation, or they can request the Illinois Department of Labor to determine the wage rates.

The Department of Labor keeps a current list of the different classes of workers' crafts along with overtime rates and fringe benefits for each of the 102 counties of the state. This information is available to a public body or any interested citizen upon request.

After the public body passes an ordinance or resolution establishing the prevailing rates for its area, it shall promptly file a certified copy with the Secretary of State at Springfield. Within thirty (30) days after filing with the Secretary of State, the public body must publish in a newspaper of general circulation within the area a notice of its determination. Such public body shall specify in the resolution or ordinance and in the call for bids for the contract that the general prevailing rates of wages in the locality shall be paid for each craft or type of workman or mechanic needed to execute the contract or perform such work. The public body awarding the contract shall cause to be inserted in the contract a stipulation to the effect that no less than the prevailing rates of wages, as found by the public body or Department of Labor or determined by the court on review, shall be paid to all laborers, workmen, and mechanics performing work on contract. It shall also require in all such contractor's bonds that the contractor include such provisions as will guarantee the faithful performance of such prevailing wage clause as provided in the contract.

All bid specifications must contain a list of the most current prevailing wage rates for the county in which the work is to be performed. If the Department of Labor revises the prevailing rate of wages, the revised rates shall apply to the contract. The School District is responsible for notifying each of its contractors and subcontractors about the revised rate.

The Department of Labor will assist school district officials in establishing the proper prevailing rates within their areas. The prevailing wage determination may be obtained without charge by writing the Conciliation and Mediation Division, Illinois Department of Labor, One West Old State Capitol Plaza, Room 300, Springfield, Illinois 62701. On request, school districts will be placed on a mailing list to receive updated information.

The Department will review compliance of each public body with the time requirements and other provisions of this law. Any public body which is not in compliance may be subject to enforcement action by the Department as allowed in the Act.

A "Model Resolution" that can be used in the determination of prevailing wages was included in Informational Bulletin 93-1, August, 1992.

Compliance with the Illinois Prevailing Wage Law is not a substitute for compliance with the federal requirements for prevailing wage determinations under the Davis-Bacon Act (40 U.S.C.A. 276a), as applied to education programs involving federal funds under the General Education Provisions Act (20 U.S.C.A. 1232b). When federal funds are involved, the prevailing wage used is that wage determined by the U.S. Department of Labor, which at any point in time may not be the same as the Illinois Department of Labor determination, since IDOL and USDOL may not survey at the same times, may survey differently, or may use different adjustment factors.

The Illinois Prevailing Wage Law applies to all covered projects under the control of the school district regardless of the source of funds (private funds, foundation funds, etc.). If federal funds are to be used, a resolution different from the form in Informational Bulletin 93-1 adopting the USDOL prevailing wage will be required to maintain compliance with the Illinois Prevailing Wage Act.

Tax-Exempt Foundations

Section 2-3.74 of the School Code requires the State Board of Education to disseminate to all school boards and superintendents of schools information concerning the procedures governing the creation of tax-exempt foundations qualified to receive gifts, donations, bequests and other contributions for the use and benefit of school districts of the State.

In compliance with this mandate, the legal advisor to the State Board of Education issued a memorandum to regional superintendents of schools, boards of education and school district superintendents on July 13, 1987, on "Procedures Governing the Creation of Tax-Exempt Foundations."

A primary purpose for creating a tax-exempt foundation is to solicit contributions from individuals or corporations, with the intent of applying funds raised toward supplementing the educational programs of a district. The advantages are that contributors may treat the contribution to the foundation as a tax-deductible charitable donation and that the foundation pays no federal or state income tax on the contribution. To achieve this status, however, schools must contact both the Federal Internal Revenue Service and the Illinois Department of Revenue to obtain and submit the necessary forms. If the foundation is to be incorporated, it will be necessary to contact the Secretary of State's office to file articles of incorporation. Whether it is incorporated or not, a foundation must be registered with the Attorney General's office in compliance with the Charitable Trust Act and the Charitable Solicitation Act.

The creation of a tax-exempt foundation for educational purposes has certain advantages. Great care and attention must be given to the intricacies involved in the formation and maintenance of a tax-exempt foundation. The advice of an attorney, accountant or other qualified person knowledgeable in these complicated procedures should be sought before establishing a tax-exempt foundation.

National Association for the Exchange of Industrial Resources (NAEIR)

Educators can receive free information on a nonprofit program that has provided over $500 million worth of donated supplies to American schools and charities since 1977. These brand new products are contributed by U.S. corporations, who earn a federal income tax deduction for donating. Available supplies include office products, computer software, toys and games, clothing, tools, janitorial supplies, paper products, seasonal decorations, and personal care items. Recipient groups pay $645 annual dues, plus shipping and handling charges, but the products themselves are <u>free</u>. The program administrator says schools average $7,000 worth of new merchandise a year, choosing what they need from 300-page catalogs issued every ten weeks. A moneyback guarantee covers all first year participants. For a free educator's information kit, phone the nonprofit National Association for the Exchange of Industrial Resources, Galesburg, Illinois, at 800/562-0955 or fax your request to 309/343-0862.

Accounting and Finance Information

Additional information concerning accounting, finance, budgeting and indebtedness provisions for Illinois school districts can be obtained from the Financial Outreach Services Division, Center for Fiscal and Shared Services at 217/782-2491.

PART VI
School Finance and Emerging Issues

Monitoring Financially Troubled School Districts

State Board Policy On Financial Review

The State Board adopted the following policy in January 1996 which called for an expansion of existing financial review activities and established parameters to foster continuous improvement:

The State Board of Education believes that its responsibility for ensuring the fiscal accountability of local school districts in Illinois requires both technical assistance for school districts which are experiencing financial difficulties and formal intervention when those difficulties reach an unacceptable level.

To meet this responsibility, the State Board will expand its current financial oversight activities into a "financial review system" which is responsive to the needs and problems of all Illinois districts.

This system will include:

(1) Clearly defined criteria for determining the seriousness of a district's financial difficulties;

(2) Continuous monitoring of the financial condition of all school districts, with quarterly updates of changes;

(3) The provision of technical assistance and support to those districts which demonstrate conditions which make them at risk or, in financial difficulty; and

(4) The identification of districts which are in serious financial jeopardy as either on the "financial watch list" or in need of certification as "in financial difficulty" as provided in Section 1A-8 of the School Code.

The criteria for determination of actual or potential difficulty will include both the district's operating funds balance and its long-term debt, using ratios to be established by the state education agency and made widely known to local school districts.

Current Practice

For nearly a decade, the State Board of Education has relied upon a recognized two-tiered approach of financial monitoring in assisting school districts with their efforts to avoid financial crisis and to fulfill the legislative intent of assuring financial continuity of all schools. The Financial Watch List (FWL) was implemented in 1988 to alert school district officials of potential emerging financial difficulty. The second and more serious assessment is the process of certifying school districts as being "in financial difficulty" pursuant to Section 1A-8 of the School Code. The public attention surrounding the annual release of the FWL and certification of school districts has served as a constant reminder of the financial limitations placed upon public education.

The FWL has been grounded over the years on a single measure of financial health, i.e., a ratio of year-end operating fund balances to the annual revenue in the operating funds. Currently, school districts in Illinois are placed on the FWL if the sum of their yearend fund balances in the four major operating funds—Educational, Operations and Maintenance, Transportation, and Working Cash—equals five percent or less of the sum of the year's revenues in the operating funds. This ratio provides an index of a school district's cumulative surplus or deficit. A positive value indicates a cumulative surplus, while a negative value indicates a cumulative deficit.

Financial Assurance And Accountability: A System Of Collaboration, Connectivity, And Continuous Improvement

Collaboration

Since January 1996, ISBE staff have consulted with local school district officials as well as representative groups such as the Illinois Financial Advisory Committee (IFAC), Education · Research · Development (ED-RED), Large Unit District Association (LUDA), and South Cook Organization for Public Education (SCOPE) to study the problems inherent in the current financial oversight activities conducted by ISBE. As a result of these collaborative efforts several areas for improvement have been identified. Two of the more significant recommendations are: (1) Expanding the current financial oversight activities by adding two recognition categories as depicted in the following comparison, and (2) Referring to the new process as the Financial Assurance and Accountability System (FAAS) and building upon a balanced strategy for identification and outreach. The FWL and Financial Certification activities would be continued with some modifications.

Comparison Of Systems

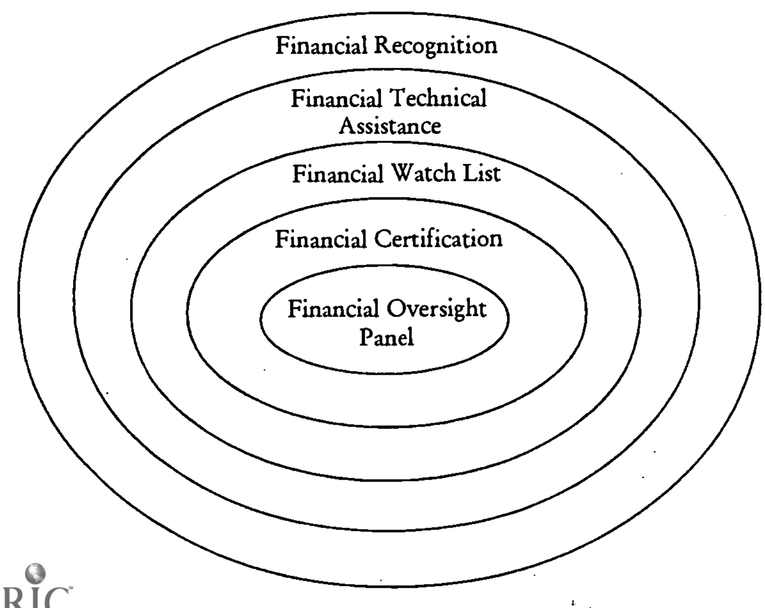
Financial Monitoring System (Current)	*Financial Assurance and Accountability System* (Proposed)
• No Category	Financial Recognition
• No Category	Financial Technical Assistance
• Financial "Watch List"	Financial "Watch List" (revised)
• Financial "Certification"	Financial "Certification"
• Financial Oversight Panel	Financial Oversight Panel

The expanded FAAS should be considered a "work in progress," requiring further input, development and refinement. However, it will begin to provide a critical framework for systematic financial analysis, review and monitoring of **all** school districts in Illinois. It will also begin to lay a foundation that will address accountability provisions of local school districts from a financial planning and reporting perspective and also complement the ISBE initiative to reform its Quality Review and Accountability Process. By adding two new bands (e.g., Financial Recognition and Technical Assistance) to the existing financial analysis activities (e.g., Financial Watch List, Financial Certification, and Financial Oversight Panel) ISBE has begun to address the concerns of local school district officials. Specifically, the enhanced system will:

1. Respond to the needs and problems of all school districts in Illinois, not just those in serious financial jeopardy, with a focus on financial strengths versus financial weaknesses;
2. Incorporate a methodology to define additional criteria for determining the seriousness of a district's financial difficulty;
3. Expand the role of ISBE in providing continuous monitoring and technical assistance outreach and services; and
4. Build on the foundation of the publicly recognized FWL and reinforce the importance of the Financial Certification process up to and including the appointment of a Financial Oversight Panel.

Predetermined criteria will be clearly articulated for each band of the enhanced FAAS system. There will be continued reliance on AFRs as submitted by local school districts. A timely analysis will be conducted to identify which band best defines the financial status of each and every school district in the state. The following Overview demonstrates the progressive identification of school districts' financial status in Illinois with a desire to maximize the number of school districts in the most outer band of Financial Recognition.

Financial Assurance And Accountability System Overview



Financial Recognition: Meets all criteria identified for a school district to be considered financially solvent and does not require active monitoring by ISBE.

Financial Technical Assistance: Does not meet all criteria considered essential for a school district to be financially solvent. Steps will be taken to assure district awareness of identified deficient factors, which may eventually lead to a school district's inclusion on the Financial Watch List.

Financial Watch List: Modify the historical (5%) funds balance ratio threshold by identifying only those school districts which have a negative fund balance and/or meet any one of the three criteria for certification pursuant to Section 1A-8 of the School Code.

Financial Certification: Assess all school districts on the FWL who qualify pursuant to Section 1A-8 of the School Code for certification as being in Financial Difficulty. Recommendations will be forwarded to the State Superintendent for consideration of those school districts which should be proposed for certification by the State Board of Education.

Financial Oversight Panel: As provided by Article 1B of the School Code, staff will stay in constant contact with each school district certified as being in financial difficulty. Recommendations for Financial Oversight Panels will be dependent on the desire of a school district to petition for Emergency Financial Assistance or if it does not maintain compliance with its approved plan.

Connectivity

Another significant recommendation that emerged from the review of current financial review activities is the need to develop internal capacity to provide necessary technical assistance to all school districts, but primarily to those on the FWL or under Financial Technical Assistance. To this end, the following technical assistance activities and services have been identified as a preliminary effort to assist local school districts in improving their short- and long-range financial management circumstances.

Financial Assurance and Accountability System Bands	ISBE Technical Assistance Activities and Services
Financial Recognition	Identify/promote best and innovative practices andencourage collaborative efforts on a regional basis.
Financial Technical Assistance	Technical assistance will be provided by ISBE staff based on the following:

	1. The school district's independent audit reviews • Annual Financial Report • Federal "Single Audit" Compliance Report • Management Letters 2. Comprehensive Financial Profile with 3-5 year trend analysis 3. Comprehensive checklist (e.g. facilities, etc.)
Financial "Watch List"	Increased focus on those school districts which are deficit financing. Assign staff to conduct comprehensive analysis of district finances (e.g., cash flow position, adopted budget, supporting financial management systems, etc.).
Financial "Certification"	Continue to certify pursuant to Section 1A-8 of the School Code. Assign staff to ensure school districts develop and adhere to an approved multi-year financial plan. Provide periodic accountability reports to ISBE.
Financial Oversight Panel	Continue to appoint Oversight Panels as required pursuant to Article 1B of the School Code. Staff will ensure accountability with all provisions of the statutes.

Continuous Improvement

Additional recommendations have been developed over the past several months to address specific concerns identified by the State Board and various constituent groups. While these concerns warranted careful consideration, it is important to note that they can be addressed by modifying existing financial analysis activities. The following is a list of deficiencies and improvements that have been identified:

Deficiencies	**Improvements**
Tax Cap Impact	Include IMRF/Social Security Fund with the four other operating funds (Educational, Operations and Maintenance, Transportation, Working Cash) for calculation of a more progressive operating funds ratio. Will consider incorporating additional funds following further analysis.
Cash vs. GAAP Accounting	Compute school district's operating funds ratio using either basis (depending on filing of AFR) for inclusion on or exclusion from FWL.
Lapse of Timely Reporting	Identify school districts on FWL that have not submitted their Annual Financial Reports by no later than January 1. (Due date from Regional Superintendents to ISBE is November 15.)
Lack of Rationale for Inclusion on FWL	Provide descriptive identification for school districts' inclusion on FWL.
Lack of Long Term Debt Analysis	Modify Annual Financial Report for specific identification of operating bond indebtedness. (This will not require additional reporting.)
Untimely Identification of Financially Troubled School Districts	Permit school districts the option to petition for inclusion on FWL.

The major intent of the FAAS is to eliminate any stigma that was attached to the traditional Financial Watch List process and build on a process of collaboration and trust between ISBE and all school districts. The FAAS will expand, yet focus, financial information and technical resources available within ISBE. A more comprehensive and timely analysis will enhance the credibility of the entire process to create a "value added" process once technical assistance activities and services are provided.

Summary Of Recommendations/Timeline

<u>1997</u>

- Expand current financial oversight activities into a five-band system of Financial Assurance and Accountability to address financial abilities of all school districts:

  Financial Recognition
  Financial Technical Assistance
  Financial Watch List
  Financial Certification
  Financial Oversight Panel

- Strengthen Technical Assistance activities and services provided:

  Build upon existing data resources (e.g. State/Federal Audit Report, Annual Financial Report, Fall Housing Report, etc.) to develop a comprehensive Financial Technical Assistance process for local school districts.

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Develop capacity for delivery of technical assistance to school districts identified in the Financial Technical Assistance band.

Pilot the Financial Technical Assistance process with a limited number of school districts.

- Release a Financial Watch List January 1997 with the following changes:

  Revise the funds balance ratio for the FWL to a deficit calculation threshold. This will shift the ratio from +5% to <0%.

  Compute the Fund Balance Ratio using a Cash or GAAP Accounting method as submitted by the local school district for consideration of inclusion on FWL.

  Include the IMRF/Social Security Fund in the operating fund balance ratio calculation.

  Provide school districts the opportunity to petition for inclusion on the FWL based on local financial needs assessment.

  Modify existing format of the FWL to identify criteria for inclusion of school districts on the FWL.

1998

- Inform local school district officials that the following new criteria will be added to the FWL.

  When school districts do not submit their Annual Financial Reports on a timely manner, (e.g., not by January 1) they will be included on the FWL and noted for untimely submission.

- Reformat the 1998 Annual Financial Report to include confirmation of a school district's Operating bond issues separate from other bonded indebtedness. Incorporate this bond analysis into the overall FAAS process.

Financial Watch Not Caused by Mismanagement

The Illinois districts exhibiting financial difficulty, generally speaking, have problems attributable to static or declining local property values, unpredictable and insufficient state financial support, and an unwillingness on the part of local taxpayers to support local tax increases. A wide range of short-term financing mechanisms, readily accessible to most districts, serve to encourage districts to borrow in hopes of a brighter revenue picture.

In general, districts with financial difficulties have developed problems over a number of years, not in a single year. Most such districts have spent with restraint, but have spent more than the revenues available. Deficit budgets are neither illegal nor unexpected and will likely be experienced, at least periodically, by even the most well-managed school district.

Though perhaps guilty of too much faith in the future, school districts generally have been both cost- and quality-conscious. Districts have attempted to maintain program quality at the expense of balancing the budget and in hopes that the revenue picture in the future would be brighter. As the short-term indebtedness of a district grows, however, expenditure adjustments become inevitable.

Financially Distressed School Districts

Senate Bill 1324, Public Act 88-641, effective September 9, 1994, provided for the certification of a school district by the State Board of Education as a "financially distressed district." The Act amended Section 19-1 and added Section 19-1.5 to the School Code.

If a school district requests certification as a "financially distressed district" and meets the criteria in Section 19-1.5 of the School Code, the State Board of Education "...shall certify the district as a financially distressed district ..."

Criteria in Section 19-1.5 of the School Code:

- A school district levies its taxes for educational and operations and maintenance purposes at the maximum rates authorized with voter approval, or

- Files a petition for certification pursuant to resolution of the school board and

  - The voters of the school district at the most recent regularly scheduled election have defeated a proposition to increase the tax rate for the tax levied for educational purposes.
  - The total aggregate indebtedness of the school district, at the time the petition is filed, equals or exceeds the debt limitation applicable to the district under subsection (a) of Section 19-1 (including, but not limited to, working cash fund, funding, and tort liability bonds).
  - The amount of General State Aid distributed to the school district (Section 18-8 of the School Code) for the school year immediately preceding the year in which the petition is filed is at least 20 percent less than the amount distributed for the school year four years prior to the year in which the petition is filed.
  - The school board has levied its taxes for educational, operations and maintenance, and transportation purposes for each of the prior five school years at the maximum rate authorized by statute or by referendum to levy those taxes for those school years.

If a school district is certified as a financially distressed district, its debt limitation is increased by the lesser of $5,000,000 or 1.5 percent of the value of the property within the district.

The amount of working cash fund bonds (and the maximum amount that can be in the working cash fund) of such a district is increased from 85 percent of the taxes, permitted to be levied for the current year for educational purposes plus 85 percent of the last known entitlement of corporate personal property replacement taxes to 125 percent of each of these factors.

Bloom Township High School District 206 was certified by the State Board of Education as financially distressed on September 22, 1994.

Information/Questions

Questions concerning the financial monitoring efforts of the State Board can be directed to the Financial Outreach Services Division; Center for Fiscal and Shared Services at 217/782-2491.

Short-Term Debt

Table 11 provides a summary of the use of short-term debt by school districts from 1990-91 through 1994-95. The number of districts issuing short-term debt increased in 1991-92 and decreased in 1992-93, 1993-94 and 1994-95. The amount of short-term debt issued increased to $141,683,135 in 1991-92 (+6.94%), $180,347,449 in 1992-93 (+27.29%), and $194,204,584 in 1993-94 (+7.69%) and decreased to $193,053,623 in 1994-95 (-0.59%).

Illinois Financial Advisory Committee

More adequate school financing and improved school district financial management are two of the specific goals of the Illinois State Board of Education. One of the advisory committees appointed by the State Superintendent of Education to deal with and assist in fulfilling these goals is the Illinois Financial Advisory Committee.

This committee has been charged with improving school district financial procedures and reviewing proposed and existing legislation affecting school district financial affairs. Section 2-3.27 of the School Code requires the Illinois State Board of Education to formulate and approve forms, procedures and regulations for school district accounts and budgets; to advise and assist the officers of any district in respect to budgeting and accounting practices; and to confer with various district, region, and State officials. The Illinois Financial Advisory Committee functions to aid the Illinois State Board of Education in achieving these goals.

The Illinois Financial Advisory Committee was formerly called the Illinois Financial Accounting Committee.

Mission Statement

The State Board of Education is striving for an equitable distribution of resources to Illinois public schools to provide adequate support for high-quality educational programs. Efforts are being made to improve the management of the public schools at the state and local levels. In connection therewith, and in accordance with the goals adopted by the Illinois State Board of Education, "World-class Education for the 21st Century," the Illinois Financial Advisory Committee provides assistance to the State Superintendent of Education.

The Illinois Financial Advisory Committee shall endeavor to improve the efficiency and effectiveness of school business management at the state and local levels through various means such as position papers, research and analysis, resolutions, and general and specific recommendations. The Committee shall review and propose legislation dealing with school finance and school business management practices.

The Illinois Financial Advisory Committee adopts as its goals:

- Participating in the professional development of school administrators charged with the responsibility of managing the financial affairs of school districts.
- Advising the Center for Fiscal and Shared Services, Illinois State Board of Education, of problems related to school finance--budgeting, accounting, financial reporting, administrative applications of technology, business management, and legislation needing clarification or study.
- Providing opportunities for accountants, attorneys, auditors, professors, school administrators, township treasurers, and State government personnel to discuss school financial management issues.

The committee shall adopt annually an agenda developed by the Executive Committee which will be presented to the State Superintendent of Education. Concluding each committee year, the Executive Committee shall report the activities of that year to the State Superintendent of Education.

Fiscal Year 1997 Issues

Issues selected for study by the Illinois Financial Advisory Committee for Fiscal Year 1997:

1. Enhancement of Financial Monitoring Efforts
   - Financial Watch List
2. Structure/Infrastructure
   - Capital assistance program (CAP) for school construction and technological assistance.
3. Services
   - Enhance the electronic flow of information.
   - Provide business, accounting, and financial management technical assistance.

Dr. Ann Duncan, Superintendent, Carlyle Community Unit School District 1 is the committee chairperson. Dr. James C. Baiter, Assistant Superintendent, Alton Community Unit School District 1 is the vice chairperson. Dr. Louis D. Audi, Principal Fiscal Consultant, Financial Outreach Services Division, Illinois State Board of Education, is the committee secretary.

TABLE 11

Summary of School District Short-Term Debt

Debt Instrument Issued	1990-91	1991-92	1992-93	1994-95	1993-94
Tax Anticipation Warrants					
No. of Districts	151	170	151	107	124
Amount	$70,999,477	$114,435,074	$135,261,746	$157,699,328	$167,874,789
Tax Anticipation Notes					
No. of Districts	33	15	13	10	4
Amount	$49,611,180	$15,226,700	$18,882,006	$12,884,000	$10,350,000
Teachers' Orders					
No. of Districts	14	14	18	13	7
Amount	$11,881,241	$7,560,361	$25,969,714	$18,330,011	$11,323,234
General State Aid Anticipation Certificates					
No. of Districts	—	3	4	5	3
Amount	—	$4,461,000	$233,983	$5,294,245	$3,505,600
Corporate Personal Property Replacement Tax Notes					
No. of Districts	—	—	—	—	—
Amount	—	—	—	—	—
All Short-Term Debt Instruments					
No. of Districts[a]	198	202	186	152	121
Amount	$132,491,898	$141,683,135	$180,347,449	$194,204,584	$193,053,623

[a] Some districts are counted more than once if they have used 2 or more forms of short-term debt instruments.

Illinois Pupil Transportation Advisory Committee

The Illinois Pupil Transportation Advisory Committee has been charged with reviewing all aspects of pupil transportation and recommending changes to the Illinois State Board of Education.

The committee has recommended a completely revised pupil transportation reimbursement formula which would have a uniform system of reimbursements for all types of pupil transportation and would include reimbursement for activities (such as field trips) which are not currently reimbursable.

The committee has been cooperating with the Illinois Department of Transportation on changes in the Serious Safety Hazards Approval Criteria and with the office of the Secretary of State on the transfer of responsibility for issuing school bus driver permits. (Senate Bill 1732, Public Act 88-612 effective July 1, 1995).

The committee has also been reviewing the effects the Clean Air Act Amendment of 1990 may have on pupil transportation operations and updating ISBE Rules and Regulations on bus driver training and instructor training.

Membership of the committee includes regional superintendents or assistant superintendents from each of the six ESR Areas; representatives from Chicago School District 299, the Office of the Secretary of State, the Illinois State Police, the Illinois Department of Transportation, the Illinois State Board of Education, the Illinois Association for Pupil Transportation, the Illinois Association of School Business Officials, and the Illinois School Transportation Association; a school district superintendent; and a representative from school transportation contractors.

The chairperson is Peter J. Grandolfo, Transportation Specialist, Chicago Public Schools. The vice chairperson is Larry F. Wort, Chief, Bureau of Safety Programs, Illinois Department of Transportation.

Illinois State Superintendent of Education's Advisory Board for School Safety

The Advisory Board for School Safety provides assistance to the State Superintendent of Education in the administration of the Health/Life Safety Code for Public Schools. The board members review the Code periodically and recommend changes when needed to update the Code.

The board includes representatives of the State Superintendent of Education, the State Fire Marshal, the Director of the Department of Public Health, the Director of the Capital Development Board; representatives of the Illinois Association of School Boards, the Illinois Association of School Business Officials, the Illinois Fire Inspectors Association, the Illinois Association of School Administrators, the Illinois Association of Regional Superintendents of Schools, the Illinois Farm Bureau, and universities; design engineers; school district engineers; architects; and professional engineers.

APPENDIX A
Selected Bibliography on K-12 Education Finance Research and Fiscal Policy

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APPENDIX B
GLOSSARY

ALTERNATE BONDS: Bonds which may be issued pursuant to the Local Government Debt Reform Act and other applicable law(s) whenever a district has a lawfully available revenue source sufficient to provide in each year an amount not less than 1.25 times the debt service requirement on any outstanding alternate bonds payable from such revenue source. The revenue source must be pledged to the payment of the alternate bonds and the district must covenant to provide for, collect and apply the revenue source to the payment of the bonds plus an additional .25 times the debt service amount. The issuance of alternate bonds is subject to a backdoor referendum.

ASSESSED VALUE: The value placed on property for tax purposes and used as a basis for division of the tax burden. This amount is subject to the State-issued equalization factor and the deduction of the homestead exemptions.

AVERAGE DAILY ATTENDANCE (ADA): The aggregate number of pupil days in attendance divided by the number of days in the regular school session. A pupil who attends school for five or more clock hours while school is in session constitutes one pupil day of attendance. The best three months average daily attendance of the prior year is used in calculating General State Aid for the current year.

BOND: A written promise, signed by the president and clerk or secretary of the board, to pay a specified sum of money (the face value) at a fixed time in the future (the date of maturity) and at a fixed rate of interest.

BONDING POWER REMAINING: The difference between the statutory debt limitation (6.9 percent of equalized assessed valuation in dual districts and 13.8 percent in unit districts) and the amount of bonds outstanding. The statutory debt limitation may be 15 percent when certain requirements are met (Section 19-1, the School Code). Special debt limitations in excess of the statutory limitations are sometimes established by law for districts which meet specific requirements.

BUILDING BONDS: Bonds sold for the purpose of acquiring or constructing school buildings and/or sites for school buildings.

CAPITAL DEVELOPMENT BOARD: The state agency responsible for developing school sites, buildings, and equipment to meet the needs of school districts unable to provide such facilities because of lack of funds and constitutional bonding limitations. The board also approves funds for area vocational centers and administers school facilities legislation in cooperation with the Illinois State Board of Education. The State Board of Education can receive and approve school construction project grants. The State Board of Education establishes eligibility standards and the priority needs standards and notifies the Capital Development Board of approved construction projects. The State Board of Education is empowered to issue grant entitlements to school districts, subject to appropriations for such purposes.

CAPITAL OUTLAY: Expenditures for infrastructure, buildings, and equipment.

CATEGORICAL AID: Money from the state or federal government that is allocated to local school districts for children with special needs or for special programs.

CERTIFICATES OF PARTICIPATION ("COPS"): A relatively new form of financing school construction. Section 10-22.12 of the School Code authorizes districts to lease, for a period not exceeding 99 years, any building, rooms, grounds and appurtenances to be used by the district for the use of schools or for school administration purposes. A school district enters into such a lease agreement (usually with a local bank) for a building that has not yet been built. The bank issues Certificates of Participation to investors to acquire the funds to purchase property, build and equip a building, etc. The lease payments made by the district are used to pay interest on and retire the principal of the "COPS."

COLLAR COUNTIES: The five counties which border on Cook County—DuPage, Kane, Lake, McHenry, and Will Counties.

COMMON SCHOOL: A term used interchangeably with "local education agency," "local school district," and "public school."

COMPARABILITY: Equalization of services funded by state and local resources in Chapter 1 and non-Chapter 1 attendance centers ("comparability") must be attained before ESEA, Chapter 1 funds can be authorized.

CORPORATE PERSONAL PROPERTY REPLACEMENT TAXES: A state tax on the net income of corporations, partnerships and trusts and an invested capital tax on utilities were enacted in 1979 to replace the local tax on the assessed value of corporate personal property. These are taxes paid in lieu of taxes paid on 1978 and prior years' Corporate Personal Property assessed valuation.

DEBT SERVICE: Expenditures made for principal and interest payments on long-term and short-term debt during the fiscal year.

DEBT SERVICE EXTENSION BASE (DSEB): For districts subject to the provisions of the Property Tax Extension Limitation Law (PTELL), the DSEB is the portion of the district's property tax extension for the payment of principal and interest on the district's non-referendum bonds, not including alternate bonds or bonds issued to refund or continue to refund bonds that were initially issued pursuant to referendum, for the levy year in which the referendum was held which made the PTELL applicable to the district. For districts in Cook and the Collar Counties, 1994 tax extensions (extended, collected, and distributed in 1995) for such bonds constitute the DSEB. A taxing district with no DSEB or a small DSEB is authorized to create or increase its DSEB pursuant to referendum.

DUAL SCHOOL SYSTEM: The situation in which a separate elementary district (grades pre-K-8) and a high school district (grades 9-12) serve the same geographic area.

EFFORT: See TAX EFFORT.

EQUALIZATION: The application of a uniform percentage increase or decrease to assessed values of various areas or classes of property to bring assessment levels, on the average, to a uniform level of market value.

EQUALIZATION FACTOR (**State multiplier**): The factor that must be applied to local assessments to bring about the percentage increase or decrease that will result in an equalized assessed valuation equal to one-third of the market value of taxable property in a jurisdiction (other than farm acreage and buildings and other than coal rights).

EQUALIZED ASSESSED VALUE: The assessed value multiplied by the State equalization factor; this gives the value of the property upon which the tax rate is calculated after deducting homestead exemptions, if applicable. For farm acreage, farm buildings, and coal rights, the final assessed value is the equalized value.

EXEMPTION: Removal of property from the tax base. Exemption may be partial, as a homestead exemption, or complete as, for example, a church building used exclusively for religious purposes.

EXTENSION: 1) The process in which the County Clerk determines the tax rate needed to raise the revenue (levy) certified by each school district in the county. 2) The actual dollar amount billed to the property taxpayers in a district.

FORMULA GRANT: A grant for state and/or federal funds to a state or school district, the amount of which is determined by a formula included in the legislation. Such grants must be applied for, and the State or school district is usually required to submit to the funding agency data to support its entitlement, an acceptable plan for use of funds, and assurance of compliance with state and/or federal laws and regulations.

FOUNDATION LEVEL: A dollar level of financial support per student representing the combined total of state and local resources available as a result of the state aid formula. The General State Aid Formula for 1996-1997 provides a foundation level of $3,060.80 per weighted pupil, provided the district has an operating tax rate equal to or in excess of 1.28 percent, 1.10 percent or 2.18 percent for elementary, secondary and unit districts, respectively. The foundation level is dependent upon the State appropriation for General State Aid.

FUNDING BONDS: Bonds issued to provide funds for the purpose of paying outstanding teachers' orders/employees' orders or other claims against a district. Subject to backdoor referendum.

GENERAL STATE AID ANTICIPATION CERTIFICATES: Short-term debt instruments which may be utilized by school districts. The borrowing limit is 75 percent of the General State Aid remaining to be paid to any district during a fiscal year. However, the total amount of General State Aid Anticipation Certificates, Tax Anticipation Notes, and Tax Anticipation Warrants outstanding for any fiscal year may not exceed 85 percent of the taxes levied by the district for that year. Additional authority has been granted to districts to borrow up to 100 percent of the General State Aid to be received in July.

GRANT INDEX FOR ASBESTOS ABATEMENT: A formula index designed to determine a state grant entitlement for asbestos abatement. The asbestos abatement grant index is equal to one minus the ratio of the district's equalized assessed valuation per pupil in weighted average daily attendance to the equalized assessed valuation per pupil in weighted average daily attendance of the district located at the ninetieth percentile for all districts of the same type (elementary, high school, or unit). The grant index may not be less than .5000 and no greater than 1.0000. All nonpublic schools are eligible for state reimbursement in the amount equal to 50 percent of the cost of corrective action if funds are appropriated by the legislature.

GRANT INDEX FOR SCHOOL CONSTRUCTION: A formula index used to establish the level of state financial obligation in a school construction project. The school construction grant index is calculated using the same formulas as the grant index for asbestos abatement and makes comparisons by district type (elementary, high school, and unit). The amount of the school construction grant index may not be less than 20 percent nor greater than 70 percent of the recognized project costs. Districts are ranked in priority order based on emergencies, health/life safety hazards, and unhoused students.

INTERFUND LOANS: Loans between funds as authorized by Sections 10-22.33 and 20-4, the School Code.

INTERFUND TRANSFERS: Transfers of money from one fund to another without a requirement for repayment as authorized by Sections 10-22.44, 17-2A, 17-2B, and 20-5, the School Code.

JOINT AGREEMENT AND/OR COOPERATIVE: An educational program or programs in which two or more local education agencies and/or eligible institutions of higher education agree to participate by uniting efforts in accordance with a written agreement and by designating a fiscal and legal agent.

LEVY: The amount of money a school district certifies to be raised from the property tax.

LIMITED TAX BONDS: Districts subject to the PTELL may issue limited bonds (also known as "limited tax bonds") in accordance with the provisions of Section 15.01 of the Local Government Debt Reform Act as amended. Limited tax bonds are non-referendum general obligation bonds, payable from the district's debt service extension base (DSEB). Limited tax bonds can only be issued in lieu of bonds otherwise authorized by applicable law and are subject to all of the same debt limits, procedural requirements and any other limitations applicable to such bonds.

OPERATING EXPENSE PER PUPIL: The gross operating cost of a school district (excepting summer school, adult education, bond principal retired, and capital expenditures) divided by the average daily attendance for the regular school term. (See Appendix H for a sample district computation.)

OPERATING TAX RATE: A school district's total tax rate less the tax rates for bond and interest, rent, vocational education construction, summer school, and capital improvements purposes. Districts may include taxes extended for the payment of principal and interest on bonds issued under the provisions of Section 17-2.11 (for fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes) and Section 20-2 (working cash) at the rate of .05 percent per year for each purpose or the actual tax rate extended, whichever is less.

PER CAPITA TUITION CHARGE: The amount a local school district charges as tuition to nonresident students as defined by Sections 18-3 and 10-20.12a of the School Code. The per capita tuition charge is determined by totaling all expenses of a school district in its educational, operations and maintenance, bond and interest, transportation, Illinois Municipal Retirement/Social Security, and rent funds for the preceding school year less expenditures not applicable to the regular K-12 program (such as adult education and summer school), less offsetting revenues from State sources except those from the Common School Fund, less offsetting revenues from federal sources except those from federal impaction aid, less revenues from student and community services, plus a depreciation allowance and dividing this amount by the average daily attendance for the year. The average daily attendance during the regular school term is adjusted by the average daily attendance of pupils tuitioned in and tuitioned out. (See Appendix H for a sample district computation.)

PUBLIC BUILDING COMMISSION (PBC): A municipal corporation from which local government taxing authorities lease facilities. The PBC is directed by these local governments to acquire land, contract for construction and issue revenue bonds for projects. Since the PBC has no statutory authority to levy taxes, it submits its annual budget to each local government which enters into lease agreements with the PBC. Annual payments on these leases are included in the local government's property tax extensions. House Bill 2132/ Public Act 88-304 (effective January 1, 1994) prohibits school districts in counties of less than three million population (all except Cook) from using a Public Building Commission.

QUADRENNIAL ASSESSMENT: The general assessment year that occurs every four years when all property assessments are reviewed. (See: TRIENNIAL ASSESSMENT, below.)

REFUNDING BONDS: Bonds sold to pay off other bond issues, other evidences of indebtedness, and the accrued interest on those bonds or other evidences of indebtedness.

REGIONAL SUPERINTENDENT: The chief school officer for the county or counties that comprise an educational service region. The Regional Superintendent exercises supervision and control over school districts and cooperatives within that region. There are 45 Regional Superintendents in Illinois.

STATE AID FORMULAS: The formulas legislated by the General Assembly for apportioning General State Aid and certain categorical aids.

TAX ANTICIPATION NOTE: An instrument of short-term indebtedness issued by a specific taxing body and representing a general obligation of the body. Notes may be issued in an amount (including principal, interest, and costs of note issuance) not to exceed 85 percent of the taxes levied. The notes may bear an interest rate not exceeding nine percent per annum or 125 percent of the rate for the most recent data shown in the 20 General Obligation (GO) Bonds Index of average municipal bond yields, as published in the most recent edition of **The Bond Buyer**, at the time the contract is made for the sale. No notes may be issued during any fiscal year in which there are tax anticipation warrants outstanding against the tax levied for that fiscal year.

TAX ANTICIPATION WARRANT: An instrument of short-term indebtedness backed by the anticipation of specific tax revenues. Warrants are issued by a school district in anticipation of the collection of taxes and may be issued to the extent of 85 percent of the total amount of the tax levied. These warrants must be repaid upon receipt of tax monies by the district and may bear an interest rate not exceeding the greater of nine percent per annum or 125 percent of the rate for the most recent data shown in the 20 General Obligation (G.O.) Bonds Index of average municipal bond yields, as published in the most recent edition of **The Bond Buyer**, at the time the contract is made for the sale.

TAX CAPS: An abbreviated way of referring to the tax increase limitations imposed by the Property Tax Extension Limitation Law, Public Act 87-17, effective October 1, 1991, as amended.

TAX EFFORT: The extent to which a local school district levies local taxes for schools.

TAX INCREMENT FINANCING (TIF): A property tax-related economic development incentive. A specifically defined district in need of special assistance is created by a local city, town or county. The total equalized assessed value (EAV) at the time of creation is measured and frozen. Bonds are floated to pay for public infrastructure costs or to help the developer through low-interest loans or lowered land prices. These long-term bonds are paid off from the additional property tax revenue generated by the property tax in the district above the amount of tax revenue generated from the frozen tax base.

TAX RATE: The amount of tax due stated in terms of a percentage of the tax base. Example: 2.76 percent of equalized assessed valuation is a representation of a tax rate of $2.76 per one hundred dollars of equalized assessed valuation of property.

TAX-RATE LIMIT: The tax-rate limit is the maximum tax rate that the county clerk may extend. Illinois law authorizes maximum tax rates without referendum, but districts may increase tax rates, within limits, subject to voter approval. A backdoor referendum provision exists; when the board proposes a tax rate increase and it is not opposed by the required number of electors within a stated time period, the board obtains the authority to increase the tax rate. A limited number of tax rates exist without a tax-rate limit.

TEACHERS' ORDERS: Teachers' payroll warrants issued by a school district which may be cashed at a local bank. By agreement between the school district and the bank, the district will redeem the orders at some future date and pay the bank a stipulated rate of interest not exceeding the greater of nine percent per annum, or 125 percent of the rate for the most recent data shown in the 20 General Obligation (GO) Bonds Index of average municipal bond yields, as published in the most recent edition of **The Bond Buyer,** at the time the contract is made for the sale.

TOWNSHIP MULTIPLIER: The equalization factor that is used by most counties other than Cook County to bring township property assessments in line with current sales prices for property in that township. For example, if a township has not been assessed for two years, the township multiplier would reflect the change in property values over those two years. A township multiplier of 1.1 would mean, on average, property tax values in this township have increased by 10 percent since the last time the property was assessed.

TRIENNIAL ASSESSMENT: In 1990, Cook County switched from a quadrennial to a triennial assessment system. Under the triennial system, property will normally be assessed once every three years. The valuation of individual properties will stay the same for the two years between reassessments. Exceptions to this occur when there have been changes in the property in the years between regular assessments (usually due to new construction or improvements to the property). In 1990, the southern Cook County suburbs were reassessed. In 1991, the entire City of Chicago was reassessed and in 1992, the northern Cook County suburbs were reassessed to round out the first triennial assessment cycle.

TRUTH IN TAXATION ACT: Legislation approved and effective July 29, 1981, that provides procedures for public notice and public hearings on tax increases greater than 105 percent of the prior year's extension.

UNIT DISTRICT: A school district that encompasses all grade levels (Pre-K-12). A term used interchangeably with a 12-grade district.

WEIGHTED PUPILS: General State Aid is provided to districts in Illinois based upon average daily attendance (ADA). The ADA figure used is subject to the use of weights and adjustments designed to enhance funding levels for pupils with varying educational needs. In the General State Aid law, grade Pre-K-6 pupils are weighted 1.00, grade 7-8 pupils are weighted 1.05, and grade 9-12 pupils are weighted 1.25. These weightings provide a Weighted Average Daily Attendance (WADA) figure. Pupils from families with low incomes provide an additional type of weighting to attendance, one which adjusts average attendance upwards. The additional formula adjustment for low-income pupils in a district ranges from zero to a maximum of .625. In combination, the grade-level weighting and the poverty count adjustment create a district's "TWADA" or Total Weighted Average Daily Attendance figure.

APPENDIX C
GENERAL STATE AID

The following section describes the state aid funding formula and provides the formula funding levels for 1996-97.

Wealth Considerations in the State Aid Formula. Illinois' General State Aid formula is designed to provide higher levels of state financial aid to school districts with comparatively lower levels of wealth. Comparative wealth across school districts is based upon an annual measurement of the equalized assessed valuation of local property, standardized across school districts on a per-student basis. Per-student standardization considers a district's average attendance weighted for grade level and adjusted to account for a district's concentration of low-income students. This student count, discussed in detail later in this section, is referred to as the Total Weighted Average Daily Attendance student count, or TWADA.

There is a wide variation in property wealth per student (i.e., per TWADA) across Illinois' 905 regular school districts. The measured property wealth per TWADA used in the state aid formula for 1996-97 ranges from a low of $7,285 in the poorest district to a high of $1,147,611 in the wealthiest. Most state aid is distributed under the Special Equalization computation of the formula. The equalization process provides greater state aid per TWADA to districts with the lowest wealth per TWADA.

In achieving equalization, the state aid formula compares the wealth per TWADA student of a district to a "state-guaranteed wealth per TWADA," a level also known as a "state-guaranteed tax base." This state-guaranteed level varies for each of the three school district types. For 1996-97, the state-guaranteed wealth per TWADA student (or guaranteed tax base per TWADA student) is $161,094.73 for elementary districts, $278,254.54 for secondary districts, and $110,898.55 for unit districts.

Foundation Level. The state-guaranteed tax base per TWADA student for each district type is mathematically related to a state funding Foundation Level–a dollar level per TWADA student which is intended to represent a guaranteed per student floor of financial support. The 1996-97 state aid Foundation Level is $3,060.80. Dividing this Foundation Level by a statutorily set "computational" Operating Tax Rate (OTR) for each district type yields the state-guaranteed tax base for each district type. The computational OTR in the funding formula is 1.90 percent (.019) for elementary districts, 1.10 percent (.011) for secondary districts and, 2.76 percent (.0276) for unit districts.

The 1996-97 Foundation Level of $3,060.80 implies that each student in Illinois (based upon TWADA count) is guaranteed access to funding from combined state and local (property) resources equal to the Foundation Level. (Full funding access requires that districts have an OTR equal to or greater than the computational OTR.) State funding varies inversely to local funding in this relationship. A district with a hypothetical property assessment base of $0 per TWADA student would receive state aid of $3,060.80 per student. As will be seen later, alternative computations assure that even though some districts have local per student wealth which exceeds the state guaranteed tax base, all districts receive some General State Aid.

State Appropriations. The state Foundation Level and the state guaranteed tax base per TWADA student are set each fiscal year on the basis of the General State Aid appropriation enacted into law. In a given year, the higher the appropriation, the higher the Foundation Level and the higher the guaranteed tax base. Computer iterations are performed by the State Board of Education, altering the Foundation and tax base levels until the level is found which assures that the General State Aid appropriation for a year is fully allocated to districts. The General Assembly appropriated $2,377,571,500 for General State Aid for 1996-97.

State Aid Attendance Weightings and Adjustments. General State Aid entitlements for 1996-97 are computed using a monthly average weighted attendance figure for each district. The attendance figures used are the greater of the 1995-96 average of the best three months' attendance or a three-year average attendance (using the average of the best three months each year) for the years, 1993-94, 1994-95, and 1995-96.

Weighted attendance refers to average attendance weighted by a factor which considers student grade level. Pupils in pre-kindergarten through grade six are weighted at 1.00; pupils in grades seven and eight are weighted at 1.05; and pupils in grades nine through twelve are weighted at 1.25. These weightings are applied to the applicable average attendance figures of a district, not to enrollment.

For formula calculation purposes, a district's grade-weighted attendance is adjusted upwards by including in a district's student count, an adjustment for low-income pupils. To determine the low-income student adjustment, the percent of low-income eligibles in a district is divided by the state average percentage concentration of low-income students. For 1996-97, the state average concentration of low-income students is 17.55 percent. The ratio of a district's low-income student percentage as divided by the state concentration percentage is then multiplied by a statutorily defined adjustment factor of .53. The resulting product is multiplied by the low-income student count of the district and added to the applicable grade-weighted pupil attendance count. A district's low-income pupil addition ranges from zero in a district with no low-income eligibles to a statutory maximum weighting of .625 per low-income pupil. Arithmetically, the optimum low-income adjustment for 1996-97 is achieved when a district has a low-income pupil concentration of 20.70 percent. A district with the state average concentration of low-income students has a .53 addition to its weighted attendance count for each low-income pupil.

In summary, a district's TWADA student count for state aid purposes is its applicable grade-weighted average daily attendance figure, adjusted upward by the low-income concentration factor defined by state statute.

Special Equalization Computation. A district's Special Equalization entitlement amount is computed by obtaining the product of a district's TWADA student count and the difference between the state-guaranteed wealth per TWADA student and the district's actual wealth per TWADA student times the applicable Operating Tax Rate (OTR). For 1996-97, each Special Equalization district receives an amount of $397.91 or more per TWADA pupil. The state's poorest school district receives an entitlement per TWADA student of $2,859.73. In arithmetic terms, the 1996-97 Special Equalization computation can be represented as:

District State Aid = TWADA x [(V_s- V_d) x T]

TWADA = Total Weighted Average Daily Attendance

V_s = State guaranteed wealth per TWADA (guaranteed tax base) for the applicable type of district

V_d = General State Aid Equalized Assessed Valuation per TWADA student of the district

T = Applicable Operating Tax Rate

In applying this formula for 1996-97, a district's equalized assessed valuation of real property for tax assessment year 1994 is used. The wealth factor of each district is adjusted upward to account for the property value attributable to a district's corporate personal property replacement tax payments. This corporate replacement tax assessed valuation is based upon replacement tax distributions made in calendar year 1995.

The actual Operating Tax Rate (OTR) of a district is a district's total tax rate less the tax rate for bond and interest, summer school, rent, capital improvements and vocational education building purposes. Tax rates used for 1996-97 formula calculations are the rates for tax year 1994. The formula above refers to an "applicable" OTR. The "applicable" OTR for calculation purposes varies with the type of organization of a school district and with the relationship of the district's actual OTR and the "computational" OTR set by statute.

For special equalization formula calculation purposes, a computational OTR of 1.90 percent is utilized for elementary districts with an actual OTR of 1.28 percent or higher. In secondary districts with an OTR of 1.10 percent or higher, 1.10 is the computational OTR. In unit districts with an OTR of 2.18 percent or more, 2.76 percent is utilized in the entitlement computation. In districts with OTRs below these minimums (i.e., 1.28 percent for elementary, 1.10 percent for secondary, 2.18 percent for units), the actual OTR of the district is used for the computation.

Another way to arithmetically represent the special equalization state aid computation is to express the formula in terms of the Foundation Level. In this approach:

District State Aid = (F Level - Local Revenue) x TWADA

Where Local Revenue = (GSA EAV) (T_c)

and where:

F Level = Foundation Level ($3,060.80 for 1996-97)

TWADA = Total Weighted Average Daily Attendance

GSA EAV = General State Aid Equalized Assessed Valuation of the district (Real property EAV plus a computed property value derived from a district's corporate personal property replacement tax revenues)

T_c = Applicable Computational Operating Tax Rate (i.e., .019 elementary, .011 high school or .0276 unit school)

In this formula representation, it can be more directly seen that a district with high wealth per student (Local Revenue per TWADA) will receive less state aid than a district with a lower wealth per student.

Alternate Method Computation. The higher the actual wealth per TWADA of a district, the less General State Aid a district is entitled to receive. For districts with relatively high actual wealth per TWADA student, an Alternate Method state aid formula computation is utilized.

The Alternate Method of General State Aid entitlement computation is utilized by districts whose actual wealth per TWADA is 87 percent or more of the state-guaranteed wealth per TWADA student. As in the Special Equalization computation, a district's wealth per TWADA is measured by real property assessed valuations and a computed assessed valuation derived from a district's corporate personal property replacement tax income.

Where the Alternate Method applies, it is calculated by multiplying 13 percent of the state Foundation Level times the quotient obtained when 87 percent of the state-guaranteed wealth per TWADA student (for the district type) is divided by the district's equalized assessed valuation per TWADA student.

An arithmetic representation of the Alternate Method calculation follows:

District State Aid = TWADA x F Level x .13 x (.87 V_s/V_d)

Where TWADA = Total Weighted Average Daily Attendance

F Level = State-determined per pupil Foundation Level ($3,060.80 for 1996-97)

V_s = State guaranteed wealth per pupil (guaranteed tax base) per TWADA student for the applicable district type

V_d = The district's GSA Equalized Assessed Valuation per TWADA student

For 1996-97 each Alternate Method district received a General State Aid entitlement per TWADA student between $214.26 and $397.90.

Another arithmetic representation of the Alternate Method computation is shown below:

District State Aid = TWADA x (.13 F Level) x (.87 F Level/ Local Revenue per TWADA)

In this equation, F Level and TWADA are defined as above and

Local Revenue = District GSA Equalized Assessed Valuation times the applicable computational Operating Tax Rate.

Flat Grant. Using the Alternate Method calculations, district GSA entitlements arithmetically approach zero percent of the Foundation Level. For districts with the highest equalized assessments per TWADA student, a third allocation methodology--the Flat Grant--is applied. The Flat Grant computation ensures that each district receives a grant for each TWADA student equal to a statutorily set seven percent of the Foundation Level. For 1996-97, the Flat Grant amount is $214.25 (i.e. seven percent of the 1996-97 Foundation level of $3,060.80).

Property Valuations in the Formula. As noted, each district's General State Aid entitlement calculations include both real property equalized assessed valuations and a computed assessed valuation attributable to a district's receipt of corporate personal property replacement taxes (CPPRT). The computed value is derived by dividing the calendar year CPPRT receipts of a district by a predetermined tax rate. For Cook County school districts, CPPRT receipts are divided by the 1976 total tax rate of the district. In the other 101 counties, the computed value is determined by dividing receipts for each school district by the district's total tax rate for 1977. For 1996-97 calculations, the computed assessed valuation related to CPPRT is based upon payments to districts made by the Illinois Department of Revenue during calendar year 1995.

The real property assessment figures used in General State Aid calculations are real property values as equalized by the Illinois Department of Revenue. The equalized assessed valuation (EAV) used to calculate GSA entitlement excludes the property value in a district associated with a state-recognized Enterprise Zone, a (Property) Tax Increment Financing District, or when taxes have been abated to attract new industry.

A district's combined value of real property equalized assessed valuation and the derived assessed valuation attributed to CPPRT values is referred to as the General State Aid Equalized Assessed Valuation (GSA EAV).

Appendix D provides a sample General State Aid entitlement claim form. Appendix E depicts the relationship between state aid per student entitlements and district wealth for 1996-97.

Laboratory and Alternative Schools. Laboratory schools operated by public universities and alternative schools operated by Educational Service Regions are also eligible for General State Aid. Since these schools have no property tax base, the GSA entitlements for such districts are calculated in a special manner. The GSA provided to a laboratory or alternative school is determined by multiplying the school's weighted average daily attendance (WADA) for the current year (or the most recent three-year average WADA if larger) by the foundation level ($3,060.80 for Fiscal Year 1997).

Collectively, Illinois State University's two laboratory schools, the University of Illinois laboratory school and 22 alternative schools received total GSA funding of $7.25 million in Fiscal Year 1997.

State Funding Distributions. The 689 districts funded under the Special Equalization computation constitute 76.1 percent of Illinois school districts and receive approximately 94.0 percent of the total GSA allocation. Special Equalization funded districts account for approximately 76.0 percent of the state TWADA student total. The 150 Alternate Method Districts (16.6 percent of school districts) receive 5.1 percent of the GSA allocation and represent 19.0 percent of the state TWADA student total. Flat Grant districts (66 in number and 7.3 percent of total districts)) receive .9 percent of the GSA allocation and reflect 5.0 percent of the state TWADA student total.

Of the 905 regular school districts allotted General State Aid, 406 (44.9%) are unit districts, 107 (11.8%) are secondary districts, and 392 (43.3%) are elementary districts. Unit districts received 73.7 percent of 1996-97 GSA funds, secondary districts received 7.4 percent of the funds, and elementary districts received 18.9 percent of the GSA funds.

In applying the General State Aid formula to the available appropriations in a given year, the State Board of Education takes into consideration certain financial adjustments. It is common for each district to have an audit adjustment to a prior year's GSA claim. (Audits to determine the accuracy of each district's GSA claim are conducted by staff of the State Board of Education.) Such audits result in either upward or downward adjustments to a district's current-year payments.

In addition, some districts qualify in certain years for GSA adjustments as a result of changes in prior-year equalized assessed valuations due to adverse court decisions or Property Tax Appeal Board decisions (See Sections 2-3.33, 2-3.51 and 2-3.84 of the School Code).

Generally, there is a net negative adjustment to the yearly aggregate GSA entitlement as a result of these prior-year adjustments. To assure that all available appropriation authority for GSA is utilized, the State Board of Education calculates the entitlement for districts by adding the net negative adjustment to the available appropriation. The resulting gross entitlement per district is then adjusted downward for districts with a net negative adjustment and upward for net positive adjustments. Thus, the resulting net GSA payments for all districts attempt to exhaust the available appropriation. For Fiscal Year 1997, we are within $11,303.93 of so doing, but this amount may change after this publication is distributed.

General State Aid Payment Schedule

Section 18-11 of the School Code provides for semimonthly General State Aid payments to be made during the months of August through July. These semimonthly payments are in an amount equal to 1/24 of the total amount to be distributed. The School Code provides that General State Aid payments are to be made "as soon as may be after the 10th and 20th days of each of the months...."

A provision in the State Finance Act authorizes the governor to notify the state treasurer and the state comptroller to "effect advance distribution to school districts of amounts that otherwise would be payable pursuant to Section 18-8 of the School Code." The governor has exercised this accelerated payment authority in the past several fiscal years. In Fiscal Years 1990, 1991 and 1994, both September payments were advanced and paid at the same time the second payment of August was made. In Fiscal Years 1992, 1993 and 1995, the September payments were made in August, but after the regular second payment was made. There was no advance distribution in Fiscal Years 1996 and 1997.

General State Aid payments, while designated for specific districts, are actually paid to Illinois' 45 regional school superintendents. Regional superintendents in turn are obliged to distribute these payments, with any attributable interest income, to each district within their regions. (Cook County school district treasurers will be paid directly during Fiscal Year 1997.)

The State Comptroller's Office releases GSA warrants (payments) at about 2:00 p.m. on payment day. Regional superintendents from Du Page, Macon, and the St. Clair regions have representatives who pick up their warrants. Thirty-eight regional superintendents have the warrants deposited directly into the Illinois Public Treasurers' Investment Pool. Most of the remaining regional superintendents have designated Springfield bank personnel to pick up the warrants. Local Springfield bankers forward payments by wire the next working day to the local bank designated by each regional superintendent. School district treasurers in Cook County receive their districts' GSA payments by wire transfer from the Comptroller's Office.

Typically, warrants (payments) are available on the 11th and 21st days of the month, or on the following working day if the payment date falls on a weekend or a holiday.

Attendance, Calendar and Special Requirements for General State Aid

Recognition. General State Aid is distributed to Illinois school districts which maintain "recognized district" status. Recognized district status is achieved pursuant to the periodic reviews of a district by staff of the Illinois State Board of Education. Recognition activities are designed to ensure that districts comply with the required standards of state law. Any school district which fails to meet the standards established for recognition by the state superintendent of education for a given year is ineligible to file a claim upon the Common School Fund for the subsequent school year. In case of nonrecognition of one or more attendance centers in a school district otherwise operating recognized schools, the entitlement of the district is to be reduced in the proportion that the average daily attendance (ADA) in the nonrecognized attendance center, or centers, bears to the ADA in the school district.

Plan Requirements. In addition to the general requirement of maintaining recognition, school districts must also adhere to a variety of other legislated standards in order to receive state financial support. Several of these are enumerated in the sections which follow.

The General State Aid law requires all school districts, except Chicago, with more than 1,000 pupils in average daily attendance (ADA) and with a low-income pupil weighting factor in excess of .53 to submit an annual plan to the State Board of Education, describing the use of the state funds generated as a result of that district's low-income pupils. This plan is intended to provide for the improvement of instruction with a priority of meeting the needs of educationally disadvantaged children. These plans are submitted in accordance with rules and regulations promulgated by the State Board of Education.

The state's largest district, Chicago District 299, is also required to provide planning information for its services to low-income students. Unlike other districts, however, District 299 must distribute GSA funding attributable to its low-income-student weighting factor on a formula basis. This statutory requirement provides that a major segment of these funds be distributed to the attendance centers within District 299 in proportion to the number of pupils enrolled in the attendance centers who are eligible to receive free or reduced-priced lunches or breakfasts under the Federal Child Nutrition Act. Chicago must submit an annual plan to ISBE which depicts this distribution of funds and discusses the services available as a result of this funding.

School Calendar. Public schools in Illinois are required to adopt a calendar which provides for 185 school days including at least 180 days of pupil attendance. Up to four days of the 180 days of actual pupil attendance may be utilized for scheduled teacher institutes and inservice training. Chicago School District 299 operated 7 elementary schools on a full-year basis during the 1992-93 school year, 11 elementary schools on a full-year basis during 1993-94, 12 elementary schools on a full-year basis during 1994-95, 15 elementary schools on a full-year basis during 1995-96 and is operating 14 elementary schools on a full-year basis during 1996-97.

Teacher institutes are approved for each district by the respective regional superintendent of schools. Equivalent professional educational experiences such as visitations to educational facilities are allowable as approved training.

Under certain conditions teacher inservice training and parent-teacher conferences may be provided in partial-day increments. Section 18-8 provides specific guidance concerning the computation of pupil attendance for state aid purposes for such partial-day attendance.

Section 24-2 of the School Code provides for a number of legal school holidays. Teachers may not be required to teach on national holidays or the state school holidays: Columbus Day, Veterans' Day, and the days which honor the births of Abraham Lincoln, Martin Luther King, Jr. and Casimir Pulaski. Because of a recent court decision, the state cannot mandate Good Friday as a state holiday; individual school districts may recognize Good Friday as a holiday.

The 185-day calendar adopted by a district is intended to allow for up to five emergency closure days during the school year.

School districts which fail to operate schools for the required number of pupil attendance days may be subject to the loss of General State Aid. The financial loss is calculated on the basis of a daily penalty of .56818 percent (1 divided by 176) for each day of required operation not met.

Under certain circumstances, a district may not be penalized for failure to provide the required school calendar. These circumstances and the required waivers and approvals are described in the paragraphs which follow.

Act-of-God Days. When a school district is unable to conduct school as a result of an Act of God, a district may be granted an attendance waiver. Section 18-12 of the School Code allows the state superintendent of education to waive the .56818 percent daily penalty due to a district's failure to conduct school for the minimum school term. The State Board of Education's Center for Accountability and Quality Assurance, Quality Review and School Accreditation Division is responsible for reviewing a district's waiver request.

Hazardous Threat or Adverse Weather. State law contains provisions which allow districts to reduce the length of a school day or to cancel classes altogether if pupil health and safety are threatened by conditions beyond school district control or if adverse weather occurs after the start of school.

For adverse weather conditions, the reasons for closing are to be certified in writing by the district superintendent and sent to the respective regional superintendent of schools. The regional superintendent forwards the certification to the state superintendent for approval.

A similar process applies to days of school not begun as a result of a health or safety consideration. When approved, "Hazardous Threat" days are not considered student attendance days but do provide an exemption from reduction in state aid. The state superintendent may approve these exceptions to the minimum term only when the school district has first used all emergency days contained in the district's regular school calendar.

Energy Shortage. When the state superintendent of education declares that an energy shortage exists during any part of the school year for the State or a designated portion of the State, a district may operate the attendance centers in the district four days a week during the shortage. When such a declaration is made, a district's GSA entitlement is not reduced, provided the district extends each school day by one clock hour of school work. State law provides that district employees are not to suffer any reduction in salary or benefits as a result of this declaration. A district may operate all attendance centers on this revised schedule or may apply the schedule to selected attendance centers.

Pupil Attendance. Section 18-8 of the School Code provides that a day of pupil attendance is to include not less than five clock hours of teacher-supervised work. Additional provisions apply to a district's calculation of pupil attendance for part-time school enrollment, services to handicapped or hospitalized students, tuition-related services, dual-attendance nonpublic school children, and other special circumstances.

Pupils regularly enrolled in a public school for only a part of a school day are counted in attendance for one-sixth day for each class hour of instruction of 40 minutes or more.

Resident pupils enrolled in nonpublic schools may be enrolled concurrently in public schools on a shared-time or dual-enrollment plan and may be included as claimable pupils by public school districts. Dual-enrolled pupils are counted as one-sixth ADA for each class period of 40 minutes or more in attendance in a public school district.

Exceptional children attending approved private institutions, either in or outside Illinois, may be included as claimable pupils on the basis of days attended if the district pays the tuition costs. Local school boards may send eligible children to an out-of-state public school district and claim them for

General State Aid. Pupils are nonclaimable for General State Aid if the district is claiming full reimbursement of tuition costs under another state or federally funded program or is receiving tuition payments from another district or from the parents or guardians of the child.

For handicapped children below the age of six years who cannot attend two or more clock hours because of handicap or immaturity, a session of not less than one clock hour may be counted as one-half day of attendance. Handicapped pupils less than six years of age may be claimed for General State Aid for a full day, provided the child's educational needs require, and the student receives, four or more clock hours of instruction.

Section 10-22.5a of the School Code allows foreign-exchange students and/or nonresident pupils of eleemosynary (charitable) institutions attending a public school district on a tuition-free basis to be claimed for General State Aid purposes. A cultural exchange organization or charitable institution desiring to negotiate a tuition-free agreement with a public school district must obtain written approval from the Illinois State Board of Education.

A session of not less than one clock hour of teaching for hospitalized or homebound pupils on the site or by telephone to the classroom may be counted as one-half day of attendance. These pupils must receive four or more clock hours of instruction to be counted for a full day of attendance. If the attending physician for such a child has certified that the child should not receive as many as five hours of instruction in a school week, reimbursement is computed proportionately to the actual hours of instruction.

<u>Public Health Requirements</u>. Illinois law requires every school district to report to the Illinois State Board of Education by October 15 of each year the number of children who have received, the number who have not received, and the number exempted from necessary immunizations and health examinations. If less than 90 percent of those enrolled in a district on October 15 have had the necessary immunizations or health examinations, ten percent of each subsequent General State Aid payment is withheld by the regional superintendent. Withholding continues until the district is in compliance with the 90 percent requirement.

State law also provides that a child is to be excluded from school for noncompliance with rules and regulations promulgated by the Illinois Department of Public Health for health examinations and immunizations. Under such circumstances the child's parent or legal guardian is considered in violation of the compulsory attendance law (Section 26-1). These parents or legal guardians are subject to any penalty imposed under Section 26-10.

<u>Extended-Day Programs</u>. School districts may develop and maintain before-school and after-school programs for students in kindergarten through the sixth grade. Such programs may include time for homework, physical exercise, afternoon nutritional snacks and education offerings which are in addition to those offered during the regular school day. Extended-day programs in a district are to be under the supervision of a certified teacher or a person who meets the requirements for supervising a day-care center under the Illinois Child Care Act. Additional employees who are not so qualified may also be employed for such programs.

The schedule of these programs may follow the work calendar of the local community, rather than the regular school calendar. Parents or guardians of the participating students are responsible for providing transportation for the students to and from the programs. The school board may charge parents of participating students a fee, not to exceed actual costs for before- and after-school programs. Attendance at extended-day programs is not included in the calculation of attendance for General State Aid purposes.

CODE 01 075 0020 26
REGION 01 ADAMS-PIKE ROE
DISTRICT NAME WEST PIKE C U

ILLINOIS STATE BOARD OF EDUCATION
Division of Funding and Disbursement Services
100 North First Street
Springfield, Illinois 62777-0001

GENERAL STATE AID CLAIM FOR 1995-1996

INSTRUCTIONS: Complete in triplicate and submit white and pink copies to your Regional Superintendent by July 1 who will forward the white copy to the address at top of form by July 15. Please ensure that Line 11 is completed or this claim will be rejected.

NAME OF CONTACT PERSON | TELEPHONE NUMBER

PART I — SUPPORTING DATA

CLAIMABLE PUPILS ONLY: (Pupils Claimed Under Section 18-8)

LINE	CALENDAR BEGIN Mo. - Day (1)	CALENDAR END Mo. - Day (2)	DAYS ATTENDED PRE-KINDERGARTEN (Handicapped) (3)	KINDERGARTEN (4)	ELEMENTARY 1-6 (5)	TOTALS Columns (3) (4) (5) (6)	ELEMENTARY 7-8 (7)	TOTALS Columns (6) (7) (8)	DAYS SCHOOL WAS IN SESSION (9)	ELEMENTARY ADA Col. 8 ÷ Col. 9 (10)	DAYS ATTENDED High School 9-12 (11)	HIGH SCHOOL ADA Col. 11 ÷ Col. 9 (12)
1	8-23	9-30	24.0	688.0	3,986.5	4,698.5	1,372.0	6,070.5	26	233.48	2,586.5	99.48
2	10-1	10-31	19.0	493.5	2,927.5	3,440.0	1,010.0	4,450.0	19	234.21	1,848.0	97.26
3	11-1	11-30	19.0	428.5	2,648.0	3,095.5	980.5	4,076.0	18	226.44	1,728.0	96.00
4	12-1	12-31	15.0	312.0	1,873.5	2,200.5	764.0	2,964.5	14	211.75	1,299.5	92.82
5	1-1	1-31	17.0	484.5	2,813.0	3,314.5	1,040.5	4,355.0	19	229.21	1,777.5	93.55
6	2-1	2-29	20.0	481.5	2,820.0	3,321.5	1,022.5	4,344.0	19	228.63	1,763.0	92.78
7	3-1	3-31	19.0	503.0	2,960.0	3,482.0	1,099.5	4,581.5	20	229.07	1,873.0	93.65
8	4-1	4-30	18.0	470.0	2,854.0	3,342.0	1,069.0	4,411.0	19	232.15	1,770.0	93.15
9	5-1	5-30	19.0	539.0	3,209.5	3,767.5	1,191.0	4,758.5	21	236.11	1,943.5	92.54
10	TOTALS		170.0	4,400.0	26,092.0	30,662.0	9,549.0	40,211.0	175	229.77	16,589.0	94.79

11 ADA of resident pupils for whom tuition is paid to another local education agency included above on Line 10, Column 10 and Column 12 (see instructions before completing) 5.46

NONCLAIMABLE PUPILS: (Pupils Claimed Under Sections 14-7.03, 18-3, At Risk, Head Start, Special Education Foster Children, and Tuition Pupils)

12 Nine Month TOTALS

ATTENDANCE DATA

BEST THREE MONTHS ATTENDANCE DATA (For Claimable Pupils Only) *See instructions.*

LINE	ELEMENTARY: BEST 3 MONTHS LINE NUMBER (13)	(PRE-K-6) Column 6 (14)	(7-8) Column 7 (15)	DAYS SCHOOL WAS IN SESSION Column 9 (16)	HIGH SCHOOL: BEST 3 MONTHS LINE NUMBER (17)	(9-12) Column 11 (18)	DAYS SCHOOL WAS IN SESSION Column 9 (19)
13	9	3,767.5	1,191.0	21	1	2,586.5	26
14	2	3,440.0	1,010.0	19	2	1,848.0	19
15	1	4,698.5	1,372.0	26	3	1,728.0	18
16	Totals	11,906.0	3,573.0	66		6,162.5	63

17. Pre-K - 6 ADA Line 16, Col. (14) ÷ Line 16, Col. (16) 180.39
18. 7-8 ADA Line 16, Col. (15) ÷ Line 16, Col. (16) 54.13
19. 7-8 WADA Line 18 X 1.05 56.83
20. 9-12 ADA Line 16, Col. (18) ÷ Line 16, Col. (19) 97.81
21. 9-12 WADA Line 20 X 1.25 122.26
22. 1995-1996 District WADA (Line 17 plus Lines 19 and 21) 359.48
23. District ADA Line 10, Col. 10 + Col. 12 324.56
24. 9 Months ADA for Per Capita Comp. Line 23 minus Line 11 plus Line 12 (Col. 10 + Col. 12) 319.10
25. 1994-1995 District WADA 358.61
26. 1993-1994 District WADA 346.84
27. 1995-1996 Low Income Count 72

EAV/TAX RATE DATA

28. 1994 Original Real Property Equalized Assessed Valuation (EAV) $ 15,978,472
29. Adverse Court Cases $
30. Enterprise Zone Abatements $
31. New Industry Abatements $
32. Property Tax Appeal Board (PTAB) Decisions $
33. Other Equalized Assessed Valuation (EAV) Adjustments $
34. 1994 Adjusted Real Property Equalized Assessed Valuation (EAV) $ 15,978,472
35. Homestead EAV $
36. 1994 Corporate Personal Property (CPP) Replacement Payments (*Received during calendar year 1995*) $ 30,201.28
37. 1977 Total Tax Rate 2.910000 %
38. 1994 CPP Replacement EAV (Line 36 ÷ Line 37) $ 1,312,758
39. 1994 General State Aid EAV (Total of Lines 34, 35 and 38) $ 17,291,230
40. 1994 Actual Operating Tax Rate 3.367000 %
41. General State Aid Entitlement for 1995-1996 $ 860,472.67

SCHOOL CALENDAR DATA

42 Days School Was in Session (Line 10, Col 9) 175
43 Approved Institute(s) (Not to exceed four) [a] 4
44 Approved Parent-Teacher Conference Day(s) (Not to exceed two) [a] 1
45 Approved Act of God Day(s)
46 Total Days [b] 180

[a] See instructions for explanation
[b] Must be 180 or more or penalty will be applied (Section 18-12, the School Code).

AFFIDAVIT

We, the undersigned, do solemnly swear (or affirm) that the foregoing statements are true to the best of our knowledge and belief, that said school district has complied with the requirements of the School Code as set forth in Sections 10-19, 10-20.12, 10-22.5, 18-12, 24-4, 27-3, 27-4, and 27-21, and has in all other respects conducted school according to law.

Date ____ Signature of Superintendent, Principal or Teacher
Date ____ Signature of Clerk or Secretary of School Board
Date ____ Signature of Regional Superintendent

ISBE 50-11 (2/96)

ILLINOIS STATE BOARD OF EDUCATION

CODE 01 075 0020 26
REGION 01 ADAMS-PIKE ROE
DISTRICT NAME WEST PIKE C U

GENERAL STATE AID CLAIM FOR 1995-1996

PART II — COMPUTATIONAL DATA

1. District Average WADA		
A 1995-1996 District WADA (Part I Line 22)	359.48	
B 1994-1995 District WADA (Part I, Line 25)	358.61	
C 1993-1994 District WADA (Part I, Line 26)	346.84	
D Total District WADA (Total of Lines A, B, and C above)		1,064.93
E District three year average (Line D above divided by the Figure 3)		354.97
2. District TWADA		
A District 1995-1996 Low Income Eligibles (Part I, Line 27)		72
B District 1995-1996 WADA (Part II, Line 1A)		359.48
C District Percent Low Income Eligibles of WADA (Line 2A divided by Line 2B)		20.02%
D State Average Percent Low Income Eligibles of WADA		17.55%
E Line 2C divided by Line 2D		1.1407
F Line 2E × .53 (Maximum .625)		.6045
G Line 2F × Line 2A		43.52
H TWADA (Line 2G + Greater of (Part II, Line 1A or Line 1E)		403.00
3. District Equalized Assessed Valuation (EAV) per TWADA		
A District 1994 General State Aid Equalized Assessed Valuation (Part I, Line 39)		$ 17,291,230
B Line 3A divided by Line 2H		$ 42,906.27
4. District 1994 Operating Tax Rate with Full Access		
A Maximum Operating Tax Rate (1.90% Elem., 1.10% High School, 2.76% Unit)	2.760000	
B District 1994 Actual Operating Tax Rate (Part I, Line 40)	3.367000	
C District 1994 General State Aid Operating Tax Rate Line 4A unless Line 4B is < 1.28% in Elem., 1.10% in High School or 2.18% in Unit)		2.760000%
5. State Guaranteed EAV per TWADA		
A Foundation Level	$ 3,060.80	
B Maximum Operating Tax Rate	2.760000	
C State Guaranteed EAV per TWADA (Line 5A ÷ Line 5B)		$ 110,898.55

PART III — SPECIAL EQUALIZATION

1. District TWADA (Part II, Line 2H)	403.00
2. State Guaranteed Resources	
A State Guaranteed EAV per TWADA (Part II, Line 5C)	$ 110,898.55
B District EAV per TWADA (Part II, Line 3B)	$ 42,906.27
C. State Guarantee (Line A – Line B (zero, if negative)	$ 67,992.28
3. District 1994 GSA Operating Tax Rate (Part II, Line 4C)	2.760000
4. 1995-1996 Claim (Product of Lines 1, 2C, and 3)	$ 756,264.53

PART IV — ALTERNATE METHOD

1. District TWADA (Part II, Line 2H)	403.00
2. State Guaranteed EAV per TWADA (Part II, Line 5C)	$ 110,898.55
3. Line 2 × .87	$ 96,481.73
4. District EAV per TWADA (Part II, Line 3B)	$ 42,906.27
5. Line 3 ÷ Line 4 (If greater than 1.0000, Part IV not applicable)	2.2486
6. Line 5 × (.13 × Part II, Line 5A)	$
7. 1995-1996 Claim (Line 1 × Line 6)	$

PART V — FLAT GRANT

1. District TWADA (Part II, Line 2H)	403.00
2. Foundation Level (Part II, Line 5A)	$ 3,060.80
3. Line 2 × .07	$ 214.25
4 1995-1996 Claim (Line 1 × Line 3)	$ 86,342.75

PART VI — SUMMARY OF 1995-1996 CLAIM

C State Guarantee (Line A - Line B (zero, if negative)	$
1. Special Equalization Claim (Part III, Line 4)	$ 756,264.53
2. Alternate Method Claim (Part IV, Line 7)	$
3. Flat Grant Claim (Part V, Line 4)	$ 86,342.75
4. Greatest of Lines 1, 2, or 3 above	$ 756,264.53
5. General State Aid Claim for 1995-1996	$ 756,264.53
6. Adjustments[a]	

CODE	AMOUNT
03	$ 5,482.51
Total	$ 5,482.51

7. Net 1995-1996 Claim (Line 5 + Line 6 above) 761,747.04

[a] See Instructions for Explanation

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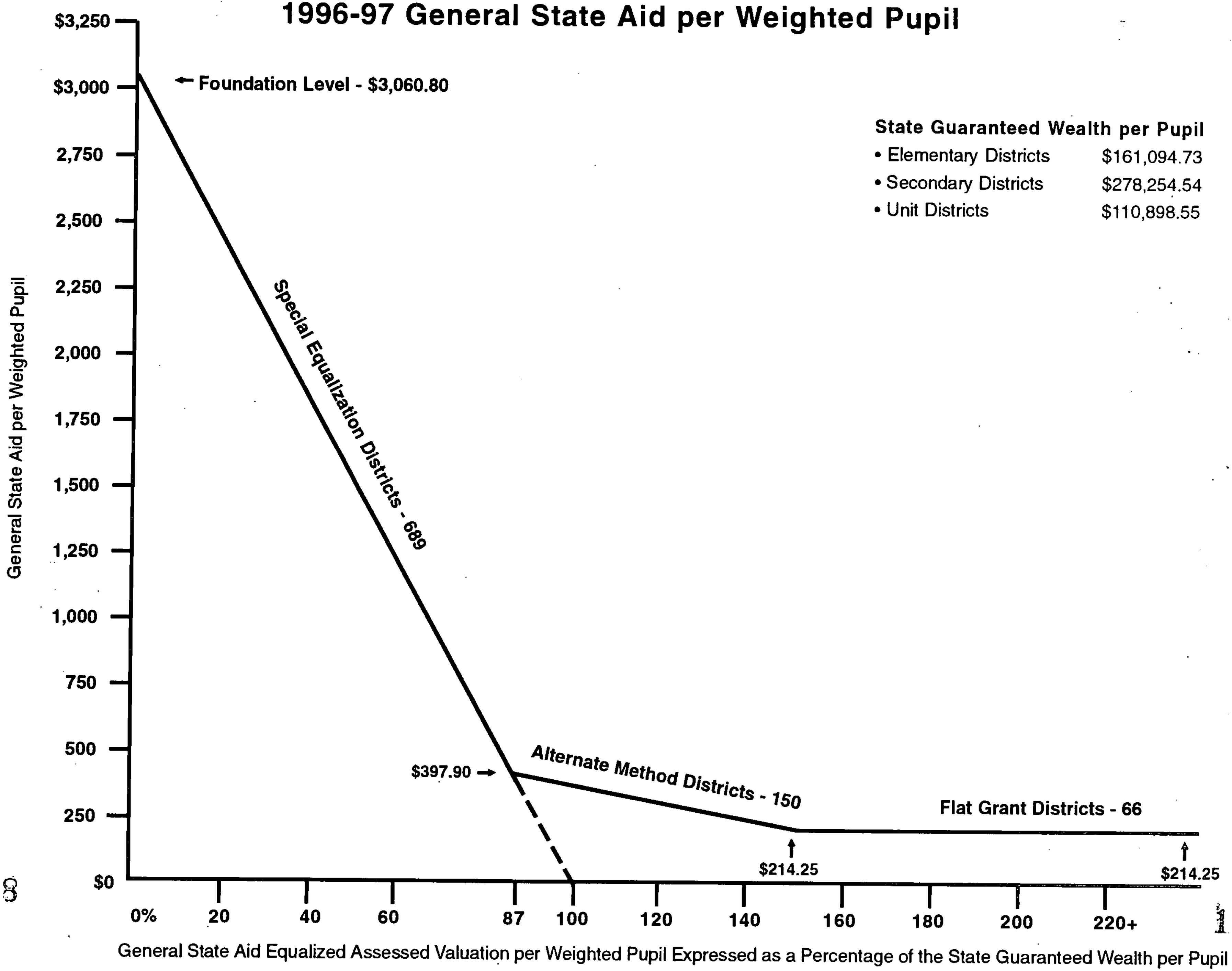
APPENDIX E

1996-97 General State Aid per Weighted Pupil



State Guaranteed Wealth per Pupil

- Elementary Districts $161,094.73
- Secondary Districts $278,254.54
- Unit Districts $110,898.55

APPENDIX F

ILLINOIS STATE BOARD OF EDUCATION
JOSEPH A. SPAGNOLO, STATE SUPERINTENDENT

ANNUAL FINANCIAL REPORT
(ISBE 50-35)

INDIRECT COST RATE FOR FEDERAL PROGRAMS
APPLICABLE FOR THE FISCAL 97 PROGRAM YEAR

CODE 01075003026
COUNTY PIKE
DIST. PLEASANT HILL CUSD 3

		RESTRICTED PROGRAM		UNRESTRICTED PROGRAM		
		A	B	C	D	E
	FUNCTION	INDIRECT COSTS	DIRECT COSTS	INDIRECT COSTS	DIRECT COSTS	TOTAL COSTS
INSTRUCTION	100		1,054,647		1,054,647	1,054,647
SUPPORT SERVICES	200					
PUPILS	210		39,677		39,677	39,677
INSTRUCTIONAL STAFF	220		25,975		25,975	25,975
GENERAL ADMINISTRATION	230		72,994		72,994	72,994
SCHOOL ADMINISTRATION	240		88,753		88,753	88,753
BUSINESS	250					
DIRECTION OF BUSINESS SPT. SRV.	251					
FISCAL SERVICES	252	28,190		28,190		28,190
OPER. & MAINT. PLANT SERVICES	254		230,751	230,751		230,751
PUPIL TRANSPORTATION	255		155,014		155,014	155,014
FOOD SERVICES	256		68,345		68,345	68,345
INTERNAL SERVICES	257	2,111		2,111		2,111
CENTRAL	260					
DIRECTION OF CENTRAL SPT. SRV.	261					
PLAN, RSRCH, DVLP, EVAL. SRV.	262					
INFORMATION SERVICES	263					
STAFF SERVICES	264					
DATA PROCESSING SERVICES	266					
OTHER	290					
COMMUNITY SERVICES	300					
TOTAL		30,301	1,736,156	261,052	1,505,405	1,766,457

RESTRICTED RATE

COL. A = 30,301
COL. B = 1,736,156 = 1.74%

UNRESTRICTED RATE

COL. C = 261,052
COL. D = 1,505,405 = 17.34%

BEST COPY AVAILABLE

APPENDIX G

THIS PAGE MUST BE COMPLETED

The source document for this computation is the Illinois State Board of Education Form 50-35, Illinois School District Annual Financial

ESTIMATED FINANCIAL DATA TO ASSIST INDIRECT COST RATE DETERMINATION

CODE	09-010-1880-04
COUNT	Champaign
NAME	Gifford Community Consolidated Grade School
NUMBER	188
STREET	406 South Main Street
CITY	Gifford ZIP CODE 61847

INSTRUCTIONS FOR COMPLETING FINANCIAL DATA INDIRECT COST RATE DETERMINATION

Indirect cost rates are computed from information provided within the body of the Annual Financial Report. However, it is necessary that certain expenditure accounts be further subdivided to identify Federal program activities.

Enter the disbursements/expenditures included within each function account that were charged to and reimbursed from any Federal grant program. Also include all amounts paid to or for other employees within each function account that work with Federal grant programs in the same capacity as those charged to and reimbursed from Federal grant programs. For example, if a district received funding from ESEA, Chapter 1, for a program director, the salaries of all other Federal grant program directors included in that function account must be included. Also include any benefits and/or purchased services paid on or to persons whose salaries are classified as direct costs in the function accounts that are listed.

DO NOT LEAVE ANY SPACES BLANK. Enter a zero on all lines where no costs are charged.

Section 1 Restricted Programs *

This section is applicable to Federal programs which restrict expenditures to those which "supplement but do not supplant" State or local effort. Some examples of restricted programs are ESEA, Chapters 1 and 2, Individuals with Disabilities Education Act (IDEA).

A. Support Services - Direct Costs (1-2000) and (5-2000)

1. Direction of Business Support Services (1-2510) and (5-2510) .... $ 0 [2793]
   Enter the cost included within the Function (1-2510) and (5-2510) Accounts, Direction of Business Support Services, charged directly to and reimbursed from Federal grant programs.

2. Fiscal Services (1-2520) and (5-2520) .... $ 0 [2794]
   Enter the cost included within the Function (1-2520) and (5-2520) Accounts, Fiscal Services, charged directly to and reimbursed from Federal grant programs.

3. Food Services (1-2560) .... $ 0 [3669]
   Enter the cost of food included within the Function (1-2560) Accounts, Food Services.

4. Internal Services (1-2570) and (5-2570) .... $ 0 [2795]
   Enter the cost included within the Function (1-2570) and (5-2570) Accounts, Internal Services charged directly to and reimbursed from Federal grant programs.

5. Staff Services (1-2640) and (5-2640) .... $ 0 [2797]
   Enter the cost included within the Function (1-2640) and (5-2640) Accounts, Staff Services charged directly to and reimbursed from Federal grant programs.

6. Data Processing Services (1-2660) and (5-2660) .... $ 0 [2799]
   Enter the cost included within the Function (1-2660) and (5-2660) Accounts, Data Processing Services, charged directly to and reimbursed from Federal grant programs.

Section 2 Unrestricted Programs*

This section is applicable to Federal programs whose funds may be used either to supplement, and/or supplant local funds.

B. Support Services - Direct Costs (1, 2, and 5-2000)

7. Operation and Maintenance of Plant Services (1, 2, and 5-2540) .... $ 0 [2801]
   Enter the cost included within the Function (1-2540), (2-2540), and (5-2540) Accounts, Operation Maintenance and Plant Services, charged directly to and reimbursed from Federal grant programs.

* ALL CAPITAL OUTLAY MUST BE EXCLUDED

APPENDIX H

ESTIMATED STATISTICAL INFORMATION, OPERATING EXPENDITURES PER PUPIL AND PER CAPITA TUITION CHARGE COMPUTATIONS (1995-1996)

A. TOTAL EXPENDITURES

FUND	PAGE	LINE	COLUMN			
1. ED	44	65	9	TOTAL EXPENDITURES	$ 756,182	
2. O&M	46	26	9	TOTAL EXPENDITURES	85,634	
3. B&I	47	14	9	TOTAL EXPENDITURES	0	
4. TR	49	24	9	TOTAL EXPENDITURES	85,100	
5. MR/SS	53	57	9	TOTAL EXPENDITURES	26,945	
6. RENT	55	5	9	TOTAL EXPENDITURES	0	
7. TOTAL (LINES 1 THROUGH 6)						$ 953,861

B. LESS RECEIPTS/REVENUES OR DISBURSEMENTS/EXPENDITURES NOT APPLICABLE TO OPERATING EXPENSE OF REGULAR PROGRAM

8. TR	11	32	4	REG. TRANS. FEES FROM OTHER/LEAs	$ 0	
9. TR	11	35,36,37	4	SUMMER SCHOOL TRANSPORTATION FEES	0	
10. TR	13	39	4	VOC. EDUC. TRANS. FEES FROM OTHER LEAs	0	
11. TR	13	42	4	SPEC. EDUC. TRANS. FEES FROM OTHER LEAs	0	
12. TR	13	44,45,46	4	ADULT/CONTINUING EDUC. TRANS. FEES	0	
13. O&M	23	136	2	STATE ADULT EDUCATION	0	
14. ED	23	148	1	ILLINOIS TEACHER OF THE YEAR	0	
15. ED	23	149	1	ADMINISTRATIVE ACADEMY	0	
16. ED-TR-MR/SS	25-26	161	1,2,4,5	TOTAL EARLY CHILDHOOD	0	
17. ED-O&M-TR	25	169	1,2,4	SPANISH BROADCAST PRESCHOOL	0	
18. ED-O&M-TR	27	175	1,2,4	ILLINOIS SCHOLAR PROGRAM	0	
19. ED-O&M-TR	27	176	1,2,4	ILLINOIS GOVERNMENT STUDENT INTERN	0	
20. ED-O&M-TR	27	178	1,2,4	ILLINOIS OCCUPATIONAL INFO. COORD. COMM	0	
21. ED	29	201	1	HEAD START	0	
22. ED-O&M-TR-MR/SS	33-34	245-249	1,2,4,5	FED. SPEC. ED.	0	
23. ED-O&M-TR-MR/SS	35-36	254-256	1,2,4,5	FED. SPEC. ED.	0	
24. O&M	37	283	2	TOTAL ADULT EDUCATION	0	
25. ED	41	4	1,2,3,4,6	ADULT/CONTINUING EDUCATION	0	
26. ED	41	7	1,2,3,4,6	SUMMER SCHOOL	855	
27. ED	43	45	1,2,3,4,6	COMMUNITY SERVICES	0	
28. ED	44	54	3,6	NONPROGRAMMED CHARGES	20,695	
29. ED	44	62	6	LEASE PURCHASES PRINCIPAL	0	
30. ED	44	65	5	CAPITAL OUTLAY	10,608	
31. ED	44	65	7	TRANSFERS	0	
32. ED	44	65	8	TUITION	88,292	
33. O&M	45	10	1,2,3,4,6	COMMUNITY SERVICES	0	
33. O&M	46	16	9	NONPROGRAMMED CHARGES	0	
34. O&M	46	23	6	LEASE PURCHASES PRINCIPAL	0	
35. O&M	46	26	5	CAPITAL OUTLAY	11,112	
36. B&I	47	10	9	BOND PRINCIPAL RETIRED	0	
37. B&I	47	14	7	TRANSFERS	0	
38. TR	48	5	1,2,3,4,6	COMMUNITY SERVICES	0	
39. TR	48	14	9	NONPROGRAMMED CHARGES	0	
40. TR	49	21	6	LEASE PURCHASES PRINCIPAL	0	
41. TR	49	24	5	CAPITAL OUTLAY	0	
42. MR/SS	50	4	2	ADULT EDUCATION	0	
43. MR/SS	50	7	2	SUMMER SCHOOL	8	
44. MR/SS	53	46	2	COMMUNITY SERVICES	0	
45. TOTAL DEDUCTIONS (LINES 8 THROUGH 44)						$ 131,570
46. OPERATING EXPENSE REGULAR K-12 (LINES 7 MINUS LINE45)						822,291
47. AVERAGE DAILY ATTENDANCE				(See the General State Aid Claim for 1995-96 (ISBE 50-11) Line 24)	200.20	
48. OPERATING EXPENSE PER PUPIL (LINE 46 DIVIDED BY LINE 47)						$ 4,107.35

(Continued on adjacent page)

APPENDIX H (cont'd)

ESTIMATED STATISTICAL INFORMATION. OPERATING EXPENDITURES PER PUPIL AND PER CAPITA TUITION CHARGE COMPUTATIONS (1995-1996)

(Continued from page 63)

C. LESS OFFSETTING RECEIPTS/REVENUES:

FUND	PAGE	LINE	COLUMN		
49. TR	11	31	4	REG. TRANS. FEES FROM PUPILS OR PARENTS	$ 0
50. TR	11	33	4	REG. TRANS. FEES FROM PRIVATE SOURCES	0
51. TR	11	34	4	REG. TRANS. FEES-CO-CURRICULAR	0
52. TR	13	38	4	VOC. TRANS. FEES FROM PUPILS OR PARENTS	0
53. TR	13	40	4	VOC. TRANS. FEES FROM OTHER SOURCES	0
54. TR	13	41	4	SPEC. EDUC. TRANS FEES FROM PUPILS OR PARENTS	0
55. TR	13	43	4	SPEC. EDUC. TRANS FEES FROM OTHER SOURCES	0
56. ED	15	57	1	FOOD SERVICES	26,164
57. ED-O&M	15	63	1,2	PUPIL ACTIVITIES	4,719
58. ED	15	73	1	TEXTBOOKS	5,613
59. ED-O&M	17	74	1,2	RENTALS	0
60. ED-O&M-TR	17	76	1,2,4	SERVICES PROVIDED OTHER LEAs	0
61. ED-O&M	17	78	1,2	PAYMENT FROM OTHER LEA'S	0
62. ED	17	80	1	LOCAL FEES	0
63. ED-O&M-TR	19	109	1,2,4	SPECIAL EDUCATION	18
64. ED-O&M-TR-MR/SS	21-22	123	1,2,4,5	VOCATIONAL EDUCATION	0
65. ED-TR	21-22	127	1,5	BILINGUAL EDUCATION	0
66. ED-TR	21	128	1,4	GIFTED EDUCATION	1,758
67. ED	21	129	1	STATE FREE LUNCH & BREAKFAST	333
68. ED-O&M	21	130	1,2	DRIVER EDUCATION	0
69. ED-O&M-TR	23	140	1,2,4	TOTAL TRANSPORTATION	51,738
70. ED	23	146	1	TOTAL SCHOOL IMPROVEMENT	0
71. ED-O&M-TR-MR/SS	23-24	147	1,2,4,5	BLOCK GRANT	1,243
72. ED-O&M-TR-MR/SS	23-24	150	1,2,4,5	SCIENTIFIC LITERACY	0
73. ED-O&M-TR-MR/SS	23-24	151	1,2,4,5	STATE DRUG EDUCATION INITIATIVE	0.
74. ED-O&M-TR-MR/SS	23-24	152	1,2,4,5	STATE URBAN EDUCATION PARTNERSHIP	0
75. ED-O&M-TR-MR/SS	25-26	153	1,2,4,5	LEARNING OUTCOMES/ASSESSMENT	0
76. ED-O&M-TR-MR/SS	25-26	154	1,2,4,5	STATE STAFF DEVELOPMENT	0
77. ED	25	155	1	STATE SECOND LANGUAGE	0
78. ED-TR-MR/SS	25-26	156	1,4,5	HISPANIC STUDENT DROPOUT	0
79. ED-TR-MR/SS	25-26	157	1,4,5	TRUANTS ALTERNATIVE/OPTIONAL EDUCATION	0
80. ED-O&M-TR-MR/SS	25-26	165	1,2,4,5	TOTAL K-6	3,974
81. ED	25	166	1	REPORT CARDS	0
82. ED-O&M-TR	25	167	1,2,4	CRIMINAL BACKGROUND INVESTIGATION	92
83. ED-O&M-TR	25	168	1,2,4	BUILD ILLINOIS - MATH & SCIENCE	0
84. ED-O&M-TR	25	170	1,2,4	TECHNOLOGY FOR SCHOOLS	0
85. ED-O&M-TR	25	171	1,2,4	SCIENCE, TECHNOLOGY, AND SOCIETY GRANT	0
86. ED	25	172	1	STATE LIBRARY GRANT	0
87. ED	27	173	1	ILLINOIS ARTS COUNCIL GRANTS	0
88. ED-O&M-TR	27	174	1,2,4	MINORITY TRANSITION	0
89. ED-O&M-TR	27	177	1,2,4	COMPUTER TECHNOLOGY IN THE CLASSROOM	0
90. ED-O&M-TR	27	179	1,2,4	PROJECT SUCCESS	0
91. ED-TR	27	180	1,4	IDOT SAFETY	0
92. ED-TR	27	181	1,4	IDOT ALCOHOL AWARENESS	0
93. B&I	27	183	3	CAPITAL DEV. BD. BOND & INTEREST	0
94. ED-O&M-TR-MR/SS	27-28	188-193	1,2,4,5	OTHER STATE FUNDS	0
95. RENT	28	188	8	OTHER STATE FUNDS	0
96. ED-O&M-TR-MR/SS-RT	29-30	206	1,2,4,5,8	RESTRICTED GRANTS-IN AID FROM FED. GOV.	0
97. ED	29	201	1	(SUBTRACT) HEAD START	0
98. ED-O&M-TR-MR/SS	29-30	211	1,2,4,5	ESEA. CHAPTER 2	0
99. ED	31	218	1	TOTAL FOOD SERVICES	11,498
100. ED-O&M-TR-MR/SS	33-34	232	1,2,4,5	ESEA CHAPTER 1 & DRUG FREE	48,600
101. ED-O&M-TR-MR/SS	33-34	244	1,2,4,5	TOTAL J.T.P.A.	0
102. ED-O&M-TR-MR/SS	35-36	250-253	1,2,4,5	FED. - SPEC. ED.	0
103. ED-O&M-MR/SS	37-38	275	1,2,5	TOTAL VOCATIONAL EDUCATION	0
104. ED-O&M-TR-MR/SS	37-38	284	1,2,4,5	MEDICAID MATCHING FUND	0
105. ED-TR-MR/SS	37-38	285	1,4,5	EMERGENCY IMMIGRANT ASSISTANCE	0
106. ED-TR-MR/SS	37-38	286	1,4,5	SERVE AMERICA	0
107. ED-TR-MR/SS	37-38	287	1,4,5	FOREIGN LANGUAGES ASSISTANCE	0
108. ED-O&M-TR-MR/SS	37-38	288	1,2,4,5	MC KINNEY EDUC. FOR HOMELESS CHILDREN	0
109. ED-O&M-TR-MR/SS	37-38	289	1,2,4,5	TRAINING SCHOOL HEALTH PERSONNEL	0
110. ED-O&M-TR-MR/SS	37-38	290	1,2,4,5	ESEA-TITLE II EISENHOWER - MATH/SCI. FORM.	0
111. ED-O&M-TR-MR/SS	37-38	291	1,2,4,5	ESEA-TITLE II EISENHOWER - MATH/SCI. COMP.	0
112. ED-O&M-TR-MR/SS	39-40	292	1,2,4,5	SPECIAL STUDIES PROGRAM	0
113. ED-O&M-TR-MR/SS	39-40	297	1,2,4,5	TOTAL GOALS 2000	0
114. ED-O&M-TR-MR/SS	39-40	298	1,2,4,5	DEPT OF REHABILITATION SERVICES	0
115. ED-O&M-TR-MR/SS	39-40	299	1,2,4,5	S.T.E.P.	0
116. ED-O&M-TR-MR/SS	39-40	300	1,2,4,5	FEDERAL EMERGENCY MANAGEMENT AID	0
117. ED-O&M-TR-MR/SS	39-40	302-307	1,2,4,5	OTHER FEDERAL FUNDS	0
118. RENT	40	302	8	OTHER FEDERAL FUNDS	0

119. TOTAL DEDUCTIONS FOR TUITION COMPUTATION (LINES 49 THROUGH 118)		$ 155,750
120. NET OPERATING EXPENSE FOR TUITION COMPUTATION (LINE 46 MINUS 119)		666,541
121. ADD TOTAL DEPRECIATION ALLOWANCE (PAGE 62, COL. F.)		34,258
122. TOTAL ALLOWANCE FOR TUITION COMPUTATION (Line 120 + Line 121)		700,799
123. AVERAGE DAILY ATTENDANCE (See the General State Aid Claim for 1995-96 (ISBE 50-11) Line 24)	200.23	
124. PER CAPITA TUITION CHARGE (LINE 122 DIVIDED BY LINE 123)		$ 3,499.97

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APPENDIX I
School Funding Principles
Adopted March 16, 1995

On March 16, 1995, the Illinois State Board of Education adopted these School Funding Principles:

I. The state has the responsibility to provide for each student high-quality educational opportunities to meet Illinois' academic content and performance standards, to determine the cost of providing those opportunities, to assess student learning and to hold schools accountable for student success.

II. A goal of the state is to ensure equitable access to high-quality educational opportunities for all students, regardless of need.

III. The system of public school funding should allow for locally authorized expenditures above the amount necessary to provide high-quality educational opportunities.

IV. School districts should receive comparable resources for equivalent local tax effort. State and local funding should be neutral with respect to school district organization.

V. The revenues to support access to high-quality educational opportunities for public school students must be stable, predictable and balanced among multiple sources. The majority of education revenues statewide should be provided by the state.

APPENDIX J
Property Taxes in Illinois

Local Assessment and Taxation of Property

More than 99 percent of all property is assessed locally. In township counties, the township is the assessment unit. In "commission" counties, where there is no township government, property assessment is performed at the county level. (The 17 commission counties are Alexander, Calhoun, Edwards, Hardin, Johnson, Massac, Menard, Monroe, Morgan, Perry, Pope, Pulaski, Randolph, Scott, Union, Wabash, and Williamson.)

The property tax cycle extends over two years. The tax year is the year of assessment and reflects the value of property as of January 1. The tax bills are distributed and the taxes are paid in the year following the tax year.

In Illinois, all real property is required to be reviewed and reassessed every four years. Between these quadrennial assessments, properties whose condition has significantly changed, or which are incorrectly assessed, are subject to reassessment. The last quadrennial assessment in commission counties was in 1994; in township counties the last was in 1995. Clark, Crawford, Edgar, Lake, Madison, Menard, and St. Clair counties are divided into four assessment districts and Cook County is divided into three assessment districts. In these counties one district is reassessed each year on a rotating basis. Farmland is revalued every year.

Once boards of review complete their adjustments and finalize assessments and the state has certified an equalization factor to the county, taxes are extended by the county clerk. Tax rates are computed by dividing the levy for each fund in a particular district by the equalized assessed valuation of the district. If the computed rate is higher than the applicable statutory tax rate limit, then the legal maximum rate is applied. The rates may be further reduced in districts affected by the Property Tax Extension Limitation Law.

Tax bills on 1995 assessments were sent out in 1996. Property taxes are collected in two installments due in June and September, except in Cook County where the first installment is due in March and the second in June. With county board approval, counties can collect taxes in four installments.

Property taxes are locally raised, locally administered, and locally spent. All property taxes are spent by taxing districts which serve the area from which the taxes are collected.

State Role in Property Tax Administration

Although the property tax is a local tax, the state, through the Local Government Services Bureau of the Department of Revenue, has the statutory duty and responsibility to "direct and supervise" the local assessment process.

The bureau is involved with the local administration of the property tax in a number of ways including providing technical assistance, maintaining taxing district maps, approving exemptions, equalizing assessments among counties, administering the personal property replacement tax, and assessing some property.

Technical Assistance

The Department of Revenue publishes appraisal and assessment manuals, performs complex commercial and industrial appraisals at assessors' requests, and provides a variety of other technical services. The department also conducts training programs for assessors and board of review members on property tax assessment procedures.

Taxing District Maps

The department prepares and maintains taxing district maps for all counties in the state. The maps maintained by the department outline boundaries of counties, political townships, municipalities, and taxing districts such as park districts, school districts, sanitary districts, community college districts, fire protection districts, and other property tax districts. In addition, the department maps detail major rivers, lakes, and railroads.

One of the main reasons for maintaining such maps is to ensure correct allocation of the assessed values of the operating property of railroads to the various taxing districts. The detail for the preparation of these maps is obtained from each county clerk. New districts, dissolutions, and changes in existing districts must be reported to the department by the county clerks under the provisions of Section 110.125 of the Illinois Administrative Code. Updating taxing boundaries based on the changes submitted by county clerks will be facilitated with the department's change to a Geographic Information System (GIS).

Approval of Exemptions

The department approves non-homestead exemption applications submitted by county boards of review or appeals. The decision of a local board of review or appeals to exempt any real property is not final until approved by the Department of Revenue.

Equalization

The responsibility for equalizing the average level of assessments among all counties in the state has been assigned to the department. The guiding principle in any assessment program is uniformity. In terms of the state's involvement, uniformity in assessed values is necessary for 1) equally distributing the tax burden in districts which lie in more than one county,

2) providing a fair basis for the distribution of some state grants-in-aid, 3) applying tax rate and bonded indebtedness limitations to units of local government, and 4) maintaining the statutory assessment level.

The sales ratio studies conducted annually by the department provide the foundation for intercounty equalization. These data allow the comparison of assessed values and market values and are used to calculate the equalization factors which are certified annually to each county. The equalization factors are used to adjust assessments in a county by a given percentage to bring county assessment levels to the statutory standard. Taxes are extended on assessed values after equalization. Sales ratio study results are published and distributed annually by the Department of Revenue.

Personal Property Replacement Tax

The Illinois Constitution of 1970 abolished the corporate personal property tax in Illinois as of January 1, 1979, and provided for the replacement of revenues derived from this tax by creation of the Personal Property Replacement Tax. The Department of Revenue certifies each taxing district's share of the replacement revenues collected by the state. Payments are made eight times per year to approximately 6,700 units of local government and school districts.

State-Assessed Property

The Department of Revenue is responsible for the assessment of railroad-operating real estate and pollution-control facilities. The department certifies these assessments to county officials for inclusion in the local tax base. Taxes on these properties are collected and spent locally.

Property Tax Developments

Assessment and Equalization

From 1927 until 1971, the statutory assessment of property was 100 percent of fair cash value. In the late 1960s and early 1970s, assessing authorities had generally been assessing property at a lower level. In 1971, Public Act 77-725 became law, defining "fair cash value" to mean 50 percent of the actual value of property in all counties not classifying real property for taxation purposes.

Also, in the 1960s and early 1970s, changes were made to the method of calculating the county equalization factors. For some time the multipliers were issued only for the quadrennial assessment years, and there was a period when the multipliers were frozen. The Illinois Supreme Court decision dated April 16, 1975, *Hamer v. Lehnhauser*, 60 Ill. 2d 400 indicated that differences in assessment and equalization practices would not be permitted to continue. The legislature realized that if the 50 percent level was immediately mandated, many counties' equalized assessed valuation would go up substantially. As a result, Public Act 79-703 was passed.

Public Act 79-703 directed the Department of Local Government Affairs to equalize county average assessment levels annually at the statutory assessment level. Effective as of the 1975 tax year, the statutory level was set at 33 1/3 percent of the market value. To facilitate the implementation of the law, a three-year transition period was allowed. Counties below 33 1/3 percent were assigned target levels to bring them to 33 1/3 percent in three steps. All counties were protected by a provision that no multiplier would be assigned that would reduce a county's total equalized assessed value, excluding new property, below the 1974 equalized assessed value.

The validity of the state multiplier was upheld by the supreme court in two cases brought under Administrative Review Law contesting the Cook County multiplier. The first case, *Airey v. Department of Revenue*, 116 Ill. 2d 528, 1987, upheld the methodology of the department. The second, *Advanced Systems, Inc. v. J. Thomas Johnson*, 126 Ill. 2d 484, 1989, upheld the hearing process used for the multipliers.

Property Tax Appeal Board

The State Property Tax Appeal Board was created in 1967. The board hears appeals of decisions of county boards of review and may revise assessments of property based on evidence presented at its hearings. State assessments are not subject to review by the Property Tax Appeal Board. Public Act 89-126 (House Bill 1465) allows appeals to the Property Tax Appeal Board of decisions of the Cook County Board of Appeals for residential property beginning with the 1996 assessment year and for other property beginning with the 1997 assessment year.

Farmland

Prior to the late 1970s farmland was assessed like all other property on the basis of fair market value. With the passage of legislation in 1977, the assessment of farmland began to move toward agricultural use valuation. Use value assessments recognize a difference between value in use and value in exchange (market value) and are generally lower than market value assessments.

In the early years (1977-1979), the department certified a top value to each county based upon a three-part formula which considered value of agricultural products sold in the county, value of principal crops in the county, and average sale price of farmland in the county. This top value was assigned to the best land in the county, and the value was reduced downward proportionately for less productive land.

For tax years 1981 and following, farms are assessed according to "agricultural economic value," which is defined by law. To be eligible for assessment as a farm, a tract of land must have been used for agricultural purposes for the two preceding years. An agricultural economic value based on the net income of farms in Illinois is the basis of the assessment of farmland. Farm homesites and dwellings are assessed at one-third of the market value; farm buildings are assessed at one-third of their respective contribution to the farm's productivity.

Personal Property Tax

In the 1972 tax year, a marked decline in the property tax base resulted from the abolition of the tax on personal property owned by individuals. Corporations, partnerships, and trusts continued to be taxed on personal property through the 1978 tax year. Since tax year 1979, only real property has been subject to property taxes.

Homestead Exemptions

The Illinois Constitution of 1970 provided the authority to grant homestead exemptions. Presently, there are five types of homestead exemptions:

The *general owner-occupied homestead exemption* is available to residential property that is occupied by the owner or a lessee with an ownership interest as the principal dwelling place. The amount of the exemption is the increase in the current year's equalized assessed value above the 1977 tax year equalized assessed value. The maximum exemption was raised to $3,500 for 1983. In Cook County only, this was increased to $4,500 beginning with the 1991 tax year. There were 2,682,148 exemptions for 1994 taxes, statewide; the total valuation reduction was $9,989,879,865.

The *senior citizens homestead exemption*, effective for tax year 1972 and subsequent tax years, is a $2,000 reduction in the equalized assessed valuation of real property that is (a) owned and occupied solely by a person 65 years of age or over, or is owned by such a person as a joint tenant or tenant in common; or (b) leased and occupied by such a person who is obligated to pay the taxes on the property. In Cook County only, this was increased to $2,500 beginning with the 1991 tax year. There were 255,469 exemptions in Cook County ($637,106,688), 94,177 exemptions in the collar counties ($188,346,053), and 322,608 exemptions in the rest of the state ($636,430,618). Total valuation reductions, statewide, for 1994 taxes were $1,461,883,359.

The *homestead improvement exemption* is limited to the fair cash value added by the improvement, up to an annual maximum of $30,000, ($10,000 of equalized assessed valuation) and continues for four years from the date the improvement is completed and occupied. For tax year 1994, 56,080 such exemptions were approved (all outside of Cook County) resulting in a total valuation reduction of $158,725,053.

The *disabled veterans' exemption* exempts up to $50,000 of the assessed value. The Illinois Department of Veterans' Affairs determines eligibility for this exemption which must be reestablished annually. There were 430 disabled veterans' exemptions approved for tax year 1994 resulting in a total valuation reduction of $10,265,547.

The *senior citizens assessment freeze homestead exemption* first became available for the 1994 tax year. It allows qualified senior citizens to elect to maintain the equalized assessed valuations of their homes at the base year values and prevent any increase due to inflation. This exemption must be applied for annually. Statewide, there were 170,152 exemptions for the 1994 tax year resulting in a total valuation reduction of $156,427,458. The average exemption was slightly more than $919.

General Authority Tax Abatements

Three types of general authority abatements are available from local taxing districts: 1) commercial and industrial, 2) leasehold, and 3) urban decay.

The commercial and industrial abatement is provided for by 35 ILCS 200/18-165. In general, the abatement applies to the property of any commercial or industrial firm, including, but not limited to, the property of any firm that is used in collecting, separating, storing, or processing recyclable materials. The aggregate amount of abated taxes for all taxing districts combined cannot exceed $1 million over a 10-year period. Some horse racing and auto racing facilities also receive limited abatements that may not exceed 10 years.

Leasehold abatements are provided for by 35 ILCS 200/18-175. These apply to certain leasehold interests in a property on which a restaurant and overnight lodging facilities are located and leased from the Department of Natural Resources.

Urban decay abatements apply to any area demonstrating conditions of a "blighted" or "conservation" area, as defined in 65 ILCS 5/11-74.4-3. A home rule municipality may abate a percentage of the taxes levied for a period not to exceed 10 years on each parcel of property that is located in an area of urban decay. This abatement is provided for by 35 ILCS 200/18-180.

Enterprise Zones

The Enterprise Zone Act took effect December 7, 1982, and authorizes the Department of Commerce and Community Affairs to certify a limited number of enterprise zones in depressed areas of the state. Associated with the zones are state income tax, sales, and property tax incentives to encourage business investment. Under the act, each unit of local government has the authority to abate property tax on business improvements added to real estate subsequent to the creation of the enterprise zone. These abatements, provided by 35 ILCS 200/18-170, apply to all classes of real property. Such abatements are limited to the term of the zone and apply only to the amount of the improvements; there is no specified dollar limit as there is under the General Authority Abatement.

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Tax Increment Financing

Tax increment financing (TIF) is a financing tool used to redevelop blighted areas and create economic recovery. The five types of property tax TIFs are explained below.

Tax Increment Allocation Redevelopment Act. This act, provided for by 65 ILCS 11-74.4-1 *et seq.*, allows Illinois municipalities to designate some areas, *i.e.*, residential neighborhoods, commercial business districts, or industrial areas, as redevelopment areas and create a TIF district. The tax revenue, derived from the assessment increases in the project area, is used to pay for the public investments made in the TIF area and certain costs to the developer. The TIF district is dissolved once all redevelopment costs are paid or at the end of 23 years, whichever comes first, although some have been extended to 35 years.

Economic Development Area Tax Increment Allocation Act. This act, provided for by 20 ILCS 620/1 et seq., encourages commerce and industry on sites of at least 320 acres. The guidelines include creating and maintaining no less than 2,000 jobs, and the private investment of at least $100 million. These areas are certified by the Department of Commerce and Community Affairs and are limited in number.

County Economic Development Project Area Property Tax Allocation Act. This act, provided for by 55 ILCS 85/1 et seq., allows for a rebate to any developer or nongovernment person of taxes generated from the increase in the tax base of the project area, if the TIF area is located in an enterprise zone. The act applies only to counties that are adjacent to the Mississippi River, with 200,000 to 300,000 inhabitants. Other guidelines include creating or retaining no less than 1,000 jobs, and the private investment of at least $50 million. These are also certified by the Department of Commerce and Community Affairs.

County Economic Development Project Area Tax Increment Allocation Act. This act, provided for by 55 ILCS 90/1 et seq., limits the number of areas that could be created to the first 20 months of its inception. The act allows for a rebate to any developer or nongovernment person of taxes generated from the increase in the tax base of the project area, if the TIF is located in an enterprise zone. The area must cover an aggregate of 5,000 acres and the county unemployment rate cannot be less than 12 percent. The guidelines also include creating or retaining 1,000 jobs, and the private investment at least $100 million.

Industrial Jobs Recovery Law. This law, provided for by 65 ILCS 5/11-74.6-1 et seq., allows municipalities that meet certain site conditions, i.e., unemployment, declining EAV, vacant industrial buildings, or environmental contamination, to create TIF districts. If no project is initiated within five years, the municipality may adopt an ordinance repealing this designation.

Truth-in-Taxation Law

The Truth-in-Taxation Law became effective on July 30, 1981. It requires any district levying more than 105 percent of its prior-year extension to publish a notice in the newspaper and hold a public meeting concerning the proposed levy increase. If the provisions of the law are not met, the county clerk may not extend an amount greater than 105 percent of the prior year's extension. An amendment signed into law December 5, 1989, defined the aggregate levy to be used in the 105 percent comparison and the form to be used for the public notice. (Reference: 35 ILCS 200/18-55 *et seq.*)

(A more detailed discussion of the Truth-in-Taxation Act can be found in Part V.)

Property Tax Extension Limitation Law

The law limits the increase in property tax extensions to five percent or the percent increase in the Consumer Price Index (CPI), whichever is less. The law first applied to the 1991 levy year for taxes payable in 1992. Increases above five percent or the CPI must be approved by the voters in a referendum. The law imposes a mandatory property tax limitation on taxing districts located entirely in DuPage, Kane, Lake, McHenry, and Will Counties. Taxing districts that overlap into other counties are included in the mandatory provisions of this law only if a majority of the equalized assessed valuation (EAV) for the 1990 levy year was in the collar counties. Cook County taxing districts were added in 1994. Public Act 89-510 extended the provisions of the Law to all other counties if county referenda are approved by the voters. Home-rule taxing districts are not affected by the law.

(A more detailed discussion of the Property Tax Extension Limitation Law can be found in Part V.)

Senior Citizens Real Estate Tax Deferral Law

Public Act 83-895, known as the Senior Citizens Real Estate Tax Deferral Law, established a program by which people who are 65 years of age or older and meet prescribed criteria may defer all or part of their real estate taxes. This program began with the 1983 tax year with taxes payable in 1984. It is administered by the county treasurers, and participants must reapply for each year they wish to defer their taxes.

In effect, the state pays the taxes for such taxpayers and acquires a lien on the property for the amount of the taxes and interest thereon. Upon the taxpayer's death, his/her heirs may pay the amount of the lien to the State or the State may sell the property to recover the amount of the lien. Units of local government suffer no loss of tax revenue under the Senior Citizens Real Estate Tax Deferral Act.

Tax Year	Participants	Taxes deferred and lien fees
1994	1,296	$2,701,508
1993	913	1,838,472
1992	527	978,495
1991	441	794,704
1990	328	539,534
1989	295	432,605
1988	232	289,154
1987	223	240,906
1986	178	187,729
1985	153	150,364
1984	112	107,803

Circuit Breaker Property Tax Relief Program

The "Circuit Breaker" property tax relief program, provided for by 320 ILCS 25/1 et seq., was initiated in 1972 by the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act. The intent was to protect the assets of low-income senior and disabled residents who could least afford the burden of property taxes, both for the taxes they paid directly and for those they paid indirectly through rent or nursing home charges. The program has undergone many changes since its initial inception, but the property tax relief has remained a constant feature. In order to qualify, a person must be 65 years of age or older, or 16 years of age or older and totally disabled, and meet prescribed criteria. The department administers the program. Claimants must file each year. A total of 251,687 property tax grants were processed during the 1994 calendar year, totaling more than $70 million.

Cook County Real Property Classifications

Cook County classifies real property for the purpose of taxation. In 1974, the Cook County Board passed an ordinance establishing five assessment classes and the percentage of market value at which each class is to be assessed. This ordinance has been amended three times and currently there are nine classes. Cook County real estate is classified by the assessor into "minor classes." These are further classified into the "major classes" by the ordinance.

Source: Various publications of the Illinois Department of Revenue.

Illinois State Board of Education
100 North First Street • Springfield, Illinois 62777-0001

Louis Mervis
Chairperson

Joseph A. Spagnolo
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