

August 27, 2010

Federal and State Revenue Legislation and Proposals

The states to receive the “Race to the Top” federal grant were recently selected; unfortunately, Illinois was not selected as one of the 10 recipients. In fact, Illinois placed 15 out of the 19 finalists. The ten who did receive the grant will share \$3.4 billion. Illinois’ share would have been approximately \$400 million. The applicants were judged on the type and quality of education “reforms” which would have been implemented with the grant money. However, because Illinois is billions of dollars in deficit and has not developed, or even proposed, a process for addressing this financial situation, the federal program’s evaluator questioned the state’s ability to continue the reforms after the “Race to the Top” money was spent.

Earlier this month the federal government passed legislation authorizing funds to be used by states to retain public program employees such as teachers and police/fire personnel. Illinois has submitted an application to Washington for approximately \$415 million. However, the federal government has not communicated the guidelines and accounting procedures pertaining to the expenditure of this money. Furthermore, the requirements on how the funding can be spent are complicated and may not be clarified for months. Consequently, how much funding will be allocated and when it might be released are questions still to be answered.

Finally, in the election race for governor, the August 26 edition of the Daily Herald reports that Bill Brady proposes to “...repair the state’s broken budget by cutting ‘a dime for every dollar’...” He provided no details as to decreases in specific education-related budget items. In the same edition, Pat Quinn repeated his plan for an income tax hike, but for the first time coupled the tax increase with a cut in property taxes. He provided no details on how such a program would be implemented and what would be the potential positives and negative outcomes of such an action.