



# Fiscal Focus

Comptroller Loleta A. Didrickson

October/November 1998

State of Illinois

## COVER STORY:

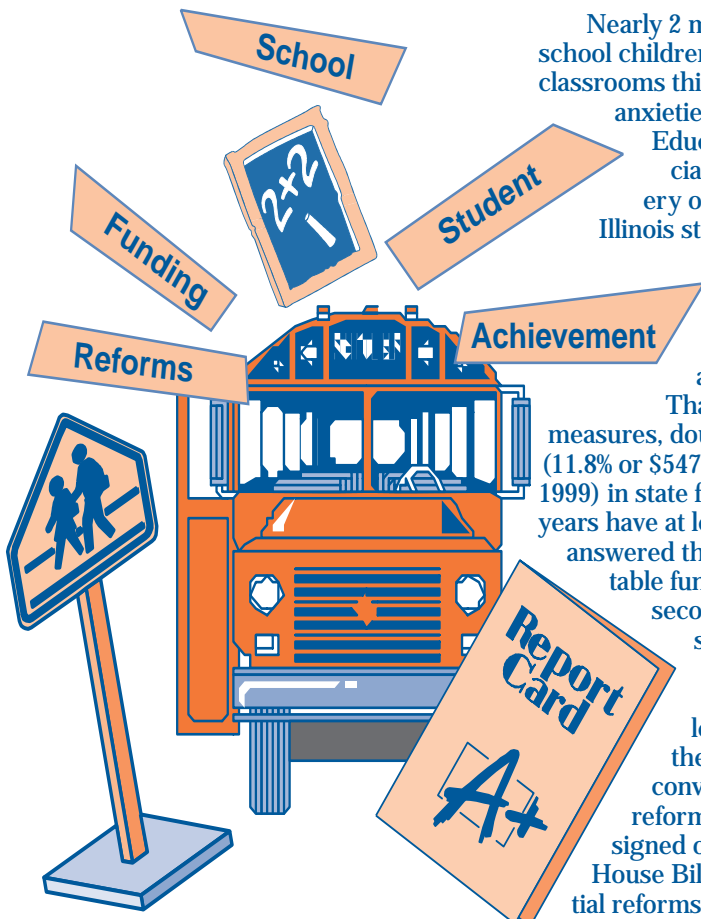
### Back to School

Nearly 2 million Illinois public school children flocked back to their classrooms this fall bursting with the anxieties of a new school year.

Educators and elected officials charged with the delivery of public education in Illinois started the school year with a few concerns of their own. Primary among those concerns was student achievement.

Thanks to funding reform measures, double digit increases (11.8% or \$547 million in fiscal year 1999) in state funding over the past two years have at least, in part, temporarily answered the call for more and equitable funding for elementary and secondary education and shifted the focus to student performance.

On the statewide level, a special session of the General Assembly was convened with extensive reform measures passed and signed on December 4, 1997. House Bill 452 contained substantial reforms on school funding measures, including the establishment of per pupil foundation levels and the new



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#### **Chicago School Reform Works - What About the Rest of the State?**

Initial reform efforts in the Chicago School District began with the Chicago School Reform Act of 1988. More recently, reform for Chicago schools was legislatively instituted in 1995. Recent reform began with the abolishment of the Chicago Board of Education and the creation of the Chicago School Reform Board of Trustees appointed solely by the Mayor. The five member Board of Trustees assumed control of the school system for four years (through June 30, 1999). After the four-year term a new seven member Chicago Board of Education is to be appointed by the Mayor, without City Council approval.

*See CHICAGO REFORM, page 8*

# A Message To You... from Comptroller Loleta Didrickson



Welcome to the October/November Issue!  
With the advent of Fall, *Fiscal Focus* heads back to school to look at the subject of education. Our **Cover Story** features recently released data from the State Board of Education's report card on Illinois schools. We also examine the reform measures passed by the Governor and General Assembly last December. The legislation guarantees a per pupil foundation level and millions in state funding for school infrastructure improvements. In **Unit Cost**, we show what may be the first measurable effects of the school funding reform package in our analysis of per pupil spending across the state.

Also featured is a progress report on **Chicago School Reform**. Three years after its inception, the city is beginning to see a return on its investment in change. Could the rest of the state use these ideas to improve schools?

We present our own suggestions for change as well. This month's **Centerpiece** proposes an innovative plan to consolidate the school funds that would make it easier to track how education is financed.

Enjoy!

*Loleta  
Didrickson*



## Fiscal Focus

*Fiscal Focus* is one of the ways the Comptroller's Office strives to assist taxpayers and the people of Illinois. This monthly report is designed to provide fiscal information of general interest and in compliance with state statutes.

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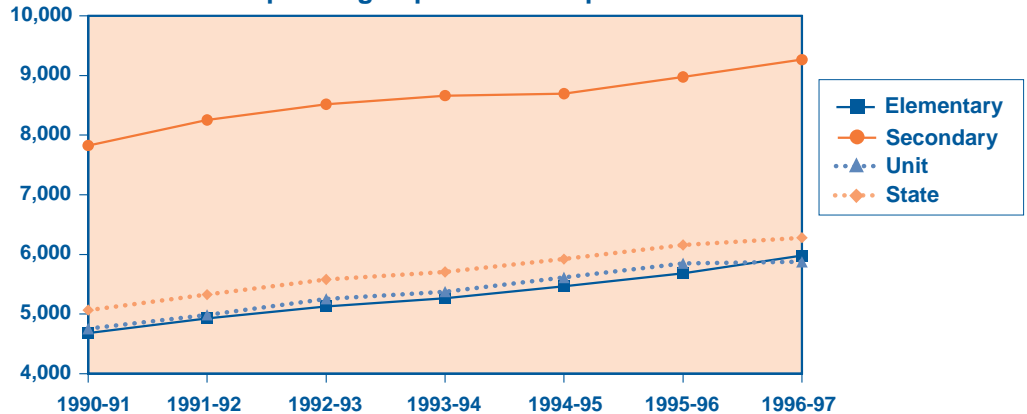


## Per Pupil Spending Growth Slows

The operating expense per pupil (OEPP) is defined by the Illinois State Board of Education as the gross operating cost of a school district (excluding summer school, adult education, bond principal retired, and capital expenditures) divided by the average daily attendance for

Operating expense per pupil is affected not only by the revenues and costs the school faces but also the enrollment level in the schools. The reason for a sharp increase in 1988-89 was a combination of higher funding and a decline in enrollment. Conversely, the reason for the low

Operating Expense Per Pupil



the regular school term. Illinois recently experienced the smallest increase in OEPP since the 1976-77 school year, with an average operating expense per pupil in school year 1996-97 for all 905 state school districts of \$6,280.57, or \$123.01 more than the previous year's average.

The highest increase recorded during that same 20 year period was from school year 1987-88 to 1988-89, when the operating expense per pupil rose by \$303.66.

increase in OEPP this year can be attributed to increased school enrollment. (See Cover Story)

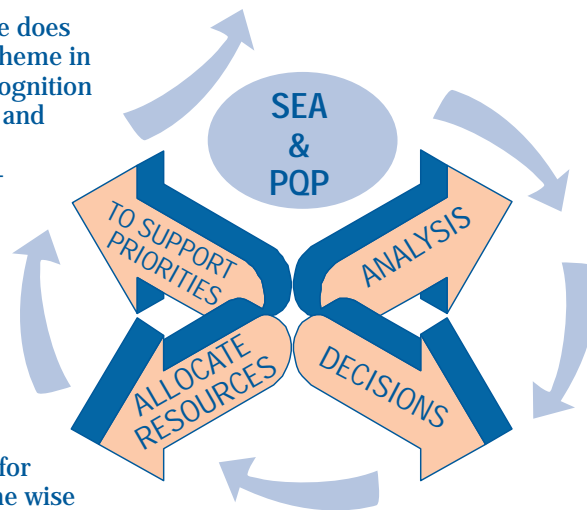
Operating expense per pupil is also measured at the school district level. During the 1996-97 school year, the 107 secondary school districts (grades 9-12) had an average operating expense per pupil of \$9,265.35, which is \$290.26 or 3.2% greater than 1995-96.

See UNIT COST, back page



## Changing the Way the State Does Business: The PQP Initiative

Changing the way the state does business has been a constant theme in the Comptroller's Office, a recognition that taxpayers will not tolerate and the state budget cannot afford "business as usual." The introduction of a new state accounting system (SAMS) and the incorporation of Service Efforts and Accomplishment (SEA) information as an integral part of Illinois' Comprehensive Annual Financial Report are just two examples of how this Office has promoted the need for improved accountability and the wise use of taxpayers' dollars.



it is an on-going process that links institutional and budgetary resources to a clearly defined set of priorities. Establishing new programs or expanding existing programs must be tied to the overall priorities of the state as well as the individual priorities (and strengths) of the institution.

Another reason for the success of the PQP Initiative is that, again as in the business community, emphasis is placed on the use of quantitative analysis to support decision making at the campus level. For example, consider the following direction from the PQP "Guidelines for Productivity Improvements":

*Institutions should consider reducing administrative units and functions that have grown excessively in recent years, particularly when state expenditures per student or per instruction, research, and public service dollar significantly exceed the statewide average.*

Combining quantitative measures with an on-going process can provide the kind of historical record that is needed to judge the outcome of publicly-funded programs.

The benefit of the PQP Initiative goes beyond being able to make substantive statements about the outcomes of state programs. That analysis can then lead to decisions about resource allocations that are directed in support of priorities, and not just pro-rated across all programs, regardless of priority.

In terms of specific changes, the Board of Higher Education noted in Priorities, Quality, and Productivity Initiative, Summary and Assessment of 1996-97 and Recommendations for 1997-98, that the "Illinois Institute of Technology eliminated 22 undergraduate and six graduate degree programs, and consolidated 11 engineering and science departments into five interdisciplinary departments to refocus on its program strengths..." Other specific examples of changes brought about as a result of the PQP Initiative include Northeastern Illinois University's decision to drop its participation in NCAA Division I intercollegiate athletics and Belleville Area College's decision to phase out its aviation programs.

*(The Board of Higher Education provided valuable assistance in the preparation of this article.)*

**Reinvestment of Resources, FY 1993 to 1997**  
(millions of dollars)

Institutions	Total, FY 1993-96	FY 1997	Total, FY 1993-97
Public Universities	\$153.6	\$27.9	\$181.5
Community Colleges	\$176.6	\$33.3	\$209.9
Total Reinvested	\$330.2	\$61.2	\$391.4

Source: IBHE, Priorities, Quality, and Productivity Initiative, Summary and Assessment of 1996-97 and Recommendations for 1997-98

An outstanding example of changing the way the state does business by examining how well resources are used to meet the objectives of public programs is the Board of Higher Education's Priorities, Quality, and Productivity (PQP) Initiative. One danger of "business as usual" in state budgets is blindly allocating each budget unit its "share" of agency resources. The Board of Higher Education has used the PQP Initiative to challenge that approach by charging each institution with the ongoing responsibility to review its strengths and priorities and reallocate resources from lower priority programs and activities to those items that reflect the highest priorities.

Board of Higher Education provides a framework of statewide priorities that each school must address.

The advantage of an approach like PQP is that the issue of outcomes, rather than outputs, is brought to the forefront. Tracking program outcomes, however, requires establishing a framework for the basis of evaluating outcomes and developing a historical record of performance to benchmark the evaluation. The PQP Initiative provides for the creation of such a framework and the development of the necessary historical data.

One of the reasons that the Priorities, Quality, and Productivity Initiative is an effective program is that

In keeping with standard business practices, the starting point for PQP is the mission (or vision) of the institution. The





# Local Governments

## Federal, State, Local Revenues for Schools by Region

Arguments and recommendations have long been made to suggest the state should carry more of the financial burden for educating Illinois children. The state's portion of school funding declined from 46.9% in school year

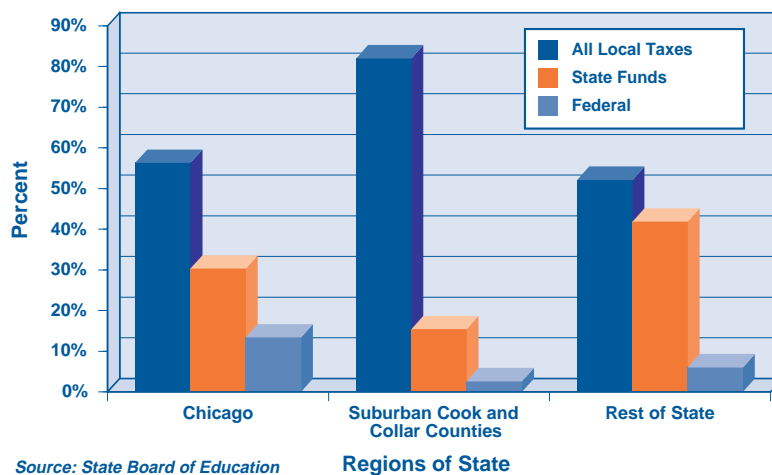
The source of school funding revenues, whether from federal, state or local sources, is an integral part of the school funding question. While the debate continues regarding where the burden should fall in terms of educating Illinois school children, local government taxes (primarily the property tax)

continue to be the major source of revenues for public schools.

Whether in the City of Chicago, in Suburban Cook and Collar

Counties (SCCC) or in the Downstate region (Rest-of-State), the primary source of funds for education facilities and programs are local taxes. However, while all school districts rely on these local taxes, they vary widely in the degree to which they depend on them.

Federal, State and Local Revenues



1976-77 to 32.1% in school year 1995-96. The Governor's Commission on Education Funding (also known as the Ikenberry Commission) recommended in March 1996 that the state provide at least 50% of the cost to fund public schools in response to this steady decline in funding.

That decline, however, is beginning to turn around as evidenced by increases in state funding during the last two school years (32.7% in school year 1996-97 and 33.9% in the following year). Local governments' share of school funding, which increased during the same 20-year period from 45.5% to 58.9%, saw a decrease over the last two years. Local governments share dropped to 58.4% in school year 1996-97 and 56.2% in the following year. The federal portion of school funding remained fairly constant, increasing from 7.6% in school year 1975-76 to 9.9% during the last school year.

73.7% of total revenues). State source revenues comprised 15.4% of SCCC total funding, including 9.0% from General State Aid (GSA), while 2.6% of their financial support was provided from federal sources.

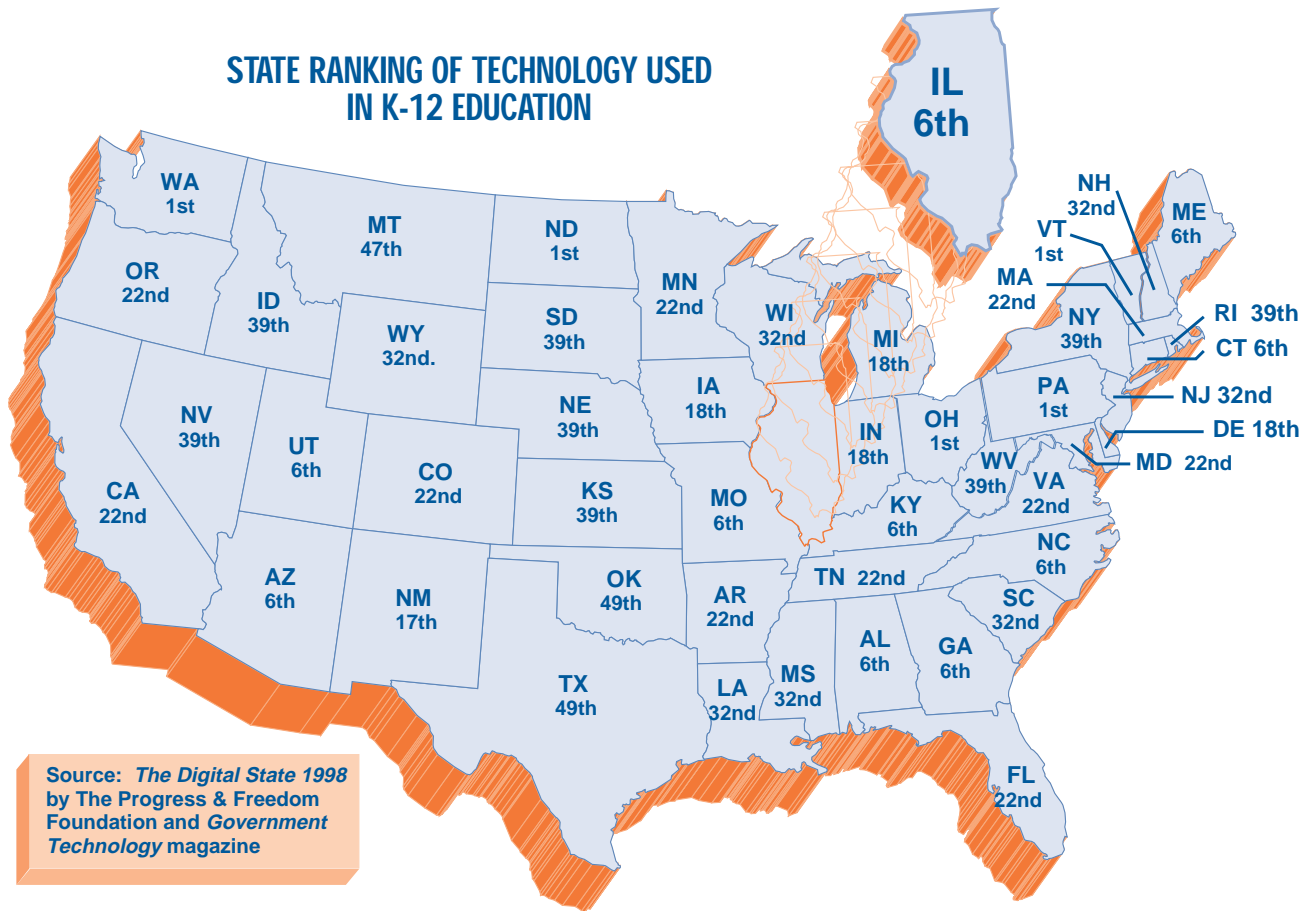
Chicago and Downstate school districts raised over half of their revenues from local taxes (56.3% and 52.1%, respectively); however, these districts varied more significantly in their reliance on state and federal funds. Downstate districts relied more heavily on state funds (GSA, in particular) than Chicago schools (41.9% versus 30.3%). In contrast, federal dollars comprised more of Chicago school revenues than Downstate districts (13.4% versus 6.0%).

It should be noted that while these percentages reflect dramatic regional disparities, all school districts within a particular region do not receive funds in the same proportion as the region collectively. Extremes exist within the regions as well. For example, two SCCC schools located in Lake County differ greatly in the percentage of local and state revenues they received in school year 1995-96. Rondout Elementary School received 97.4% of its total revenues from local sources, nearly 65 percentage points more than North Chicago School District 187, which received only 32.9% of its total revenues from local taxes. Such disparities illustrate the geographic consequences of differing levels of community wealth, property values and locally available resources.

The method for calculating distribution of GSA and other state funds to school districts prior to school year 1998-99 involved a complicated procedure including the determination of locally available resources and the number of children from low income families residing in the district, among other considerations. Beginning this current school year, changes in the foundation level and school aid formula calculations have altered this process and additional funds have been made available to schools.

The subject of education finance reform has dominated the debate in the Illinois General Assembly for many years, fueled in great part by discontent from SCCC taxpayers. Implementation of the Property Tax Extension Limitation Law capping property taxes in certain districts and the

## STATE RANKING OF TECHNOLOGY USED IN K-12 EDUCATION



Source: *The Digital State 1998* by The Progress & Freedom Foundation and *Government Technology* magazine

# HOW ILLINOIS STACKS UP

### Education and Technology

A recent report by the Progress & Freedom Foundation and *Government Technology Magazine*<sup>1</sup> examines how state governments are using computers. One of the areas examined by this report was the use of technology in kindergarten through 12th grade education. The study ranked states by how many K-12 schools had access to the Internet, what the ratio of students to multimedia computers was, and if the schools offered performance information on the Web.

Five states tied for first place, having a perfect rating for their use of technology in K-12 schools. Illinois finished with 89 points, tying for 6th place with 11 other states. This was a radical improvement for Illinois which, in 1997, finished with only 11 points in a four way tie for last place. This year, Illinois tied with Kentucky and Missouri and finished higher than all other neighboring states. In comparison to similarly sized states, Illinois ranked lower than Ohio and Pennsylvania, but did better than New York, California, Texas, Michigan, or Florida.

Illinois has obviously put a priority on providing technology in K-12 schools. According to the report, more than 75% of Illinois public schools are on-line with a student-to-computer ratio of 17 to 24 students per multimedia computer. Illinois also has information available on school per-

formance, and some schools allow parents to access their child's performance records via the school's Web site.

The report specifically singled out the Illinois Learning Mosaic (ILM) as a positive merger of education and technology. ILM was created several years ago, before the Board of Education or Board of Higher Education had a strong presence on the Web. It was a prototype project to provide Internet resources for numerous subject areas, as well as information and statistics on the various educational institutions in our state. The ILM provided some of the first on-line information about and for both higher education and K-12 schools, as well as Illinois' educational organizations. The University of Illinois' National Center for Supercomputer Applications (NCSA) created and currently coordinates this site. NCSA is hoping, however, to transition the control of this information to the Illinois Board of Education and Board of Higher Education to incorporate into their Web sites.

Beyond the accomplishments noted in the Progress and Freedom/Government Technology report, the NCSA's Division for Education is currently working on new projects to expand technology in education. One such program is called Chickscope. Students and teachers can access a MRI (Magnetic Resonance Imaging) instrument through the Internet, in order to watch the embryonic development of a chick. This information is then used in classroom curriculum to understand aspects of science and math from biology to computer science. Illinois students and teachers from kindergarten to high school have participated in Chickscope.

See *STACKS UP*, back page



# COVER STORY: *continued...*

## Back to School

infrastructure program. At the local level, major school reform in the Chicago School District was instituted in both 1988 and 1995 and is ongoing (See Text Box On Cover).

### Statewide Reform

#### Per Pupil Foundation Levels

Foundation levels of spending per student are considered to be the necessary amount of financial support for a student to receive an "adequate" elementary and secondary education. For fiscal year 1998, supplemental appropriations brought the districts up to a foundation level of \$4,100 per student. The level increased to \$4,225 in fiscal year 1999 and will increase to \$4,325 in fiscal year 2000 and \$4,425 for fiscal year 2001. In subsequent years, the General Assembly will determine the appropriate foundation level with advice from a newly created Funding Advisory Board consisting of 5 members who are appointed by the Governor, by and with the advice and consent of the Senate. The members appointed shall include representatives of education, business, and the general public.

Increased per pupil foundation levels constitute the largest financial impact on the General Funds. Payments to school districts as a result of the legislation enacted are estimated to increase by \$332 million for fiscal year 1999. This accounts for more than 60% of the total increase in elementary and secondary education funding from the General Funds. Of the remaining funding increase, contributions for teacher's retirement account for nearly 28% with grants for reading improvement (up \$36 million or 76.0%), transportation (up \$30 million or 11.2%), and preschool (up \$30 million or 24.4%) also up significantly.

#### Infrastructure Program

The important elements of the infrastructure program include a technology loan program, a bonding program for school construction, and debt service grants. Revenue for these programs will come from two sources. First, revenue will be received from the sale of state general obligation bonds. Authorized bond sales of \$1.1 billion will support the construction and debt service grants. Second, the infrastructure program will receive one-half of the

new revenue generated from the increase in the Telecommunications Excise Tax (1 percent out of a 2 percent increase). Estimated fiscal year 1999 revenue of \$87 million from this source will support the technology loan portion of the infrastructure program.

As of fall 1998, funds will become available to schools as part of the technology loan program. The purpose of the program is to make technological improvements affordable to schools. These loans will be available for items such as computer hardware and networks. The funds will be available on a three year rotating basis, with kindergarten through fourth grade receiving funding in years 1,4,7, etc. of the program. Fifth through eighth grade receives funding in years 2,5,8, etc. and grades 9-12 in years 3,6,9, etc. of the program.

The goal of the school construction program is to make state funds available for deteriorating, overcrowded, or damaged school buildings. The Capital Development Board and the State Board of Education will jointly administer this program. For Illinois schools, this program represents the first far-reaching construction program in more than 20 years. Depending upon a school district's local wealth, it could receive between 35 and 75 percent of their recognized project's costs from the state. Chicago Public Schools automatically receive 20 percent of the total amount of construction grants awarded each year.

When the available funds for this program are less than the demand, qualified applicants are ranked based on level of priority and need. During fiscal year 1998, \$30 million was available for grants and 56 districts applied. In the end, six school districts received the funds for fiscal year 1998: Kirby School District 140, Dolton School Districts 148 and 149, Savanna Community School District 300, Lincoln-Way Community High School District 210, and Chicago Public Schools District 299. These districts received grants primarily as a result of a shortage of classrooms due to population growth or in order to replace aging buildings.

Thus far in fiscal year 1999, sixty-six districts will receive about \$219 million in state funding for construction projects. This represents about \$189 million, or a more than sixfold increase over the grant funding available for fiscal year 1998. Of this amount, about \$94

million is going to 40 downstate school districts. The collar counties will receive \$65 million from the state that will go to 15 school districts. Ten school districts in Cook County will receive \$16 million, and the Chicago Board of Education will receive 20 percent, or about \$44 million. Along with the state funds that these districts will receive, matching local money totaling about \$246 million will also be provided, for a total of \$465 million in school renovation or construction funds.

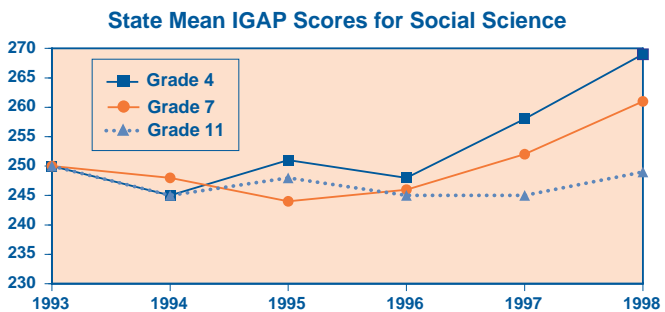
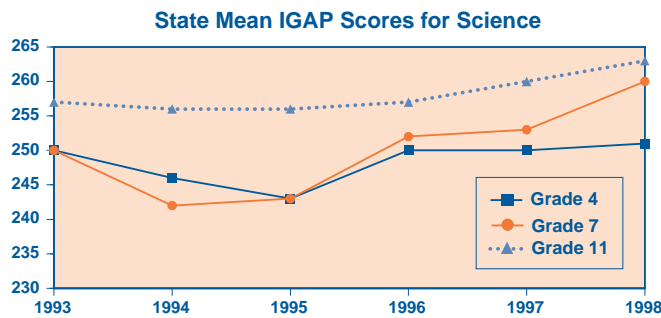
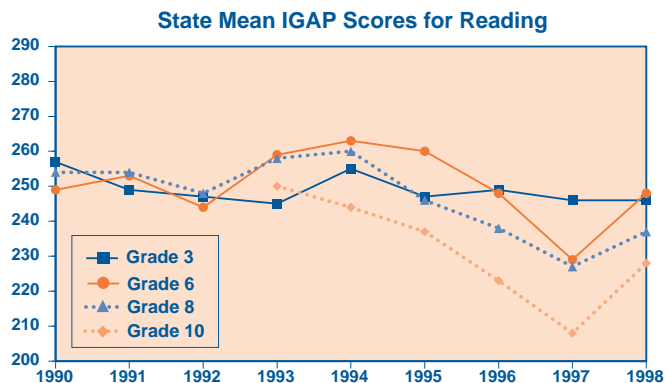
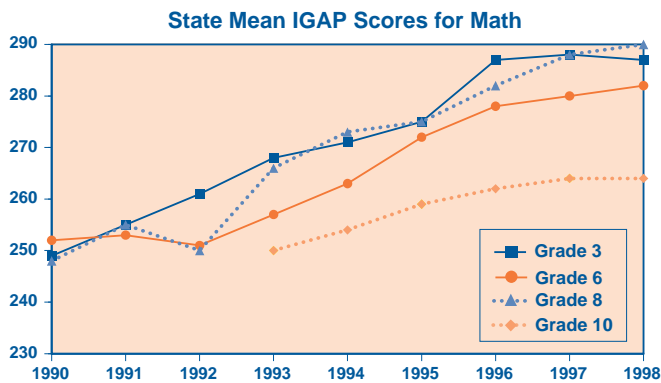
The last part of the school infrastructure program is the debt service grants, which will assist school districts that passed construction bond referendums in the period January 1, 1996 to January 1, 1998. The purpose of this program is to help school districts to restructure their debt, retire principal, or abate property taxes levied for the bond. The State Board of Education will issue the grants dependent on the district's wealth. To date, 75 districts have been awarded \$34.3 million for the debt service program. However, this part of the infrastructure program will conclude at the end of fiscal year 1999.

#### Measuring Student Performance

At the forefront of the public education focus is measuring and improving student performance. With the infusion of a significant amount of new state dollars over the last few years (estimated increase in spending of \$1.247 billion from fiscal year 1996 to fiscal year 1999), lawmakers are demanding accountability for the taxpayer's investment. As the evolution of the global marketplace continually calls for more highly skilled workers, business leaders cite the educational development of our children as vital to our economic future.

Several measures of student performance have been benchmarked by the Illinois State Board of Education since 1986. Collaboratively referred to as the "School Report Card", these performance variables allow for insight into the successes and failures of our public schools.

Arguably the most important of the variables are achievement test score results. Currently, IGAP (Illinois Goals Assessment Program) testing is done at grades 3,6,8, and 10 for reading, math, and writing and at grades 4,7, and 11 for science and social science. Beginning in 1999, student assessment will be conducted using the ISAT (Illinois Standards Achievement Test). Major



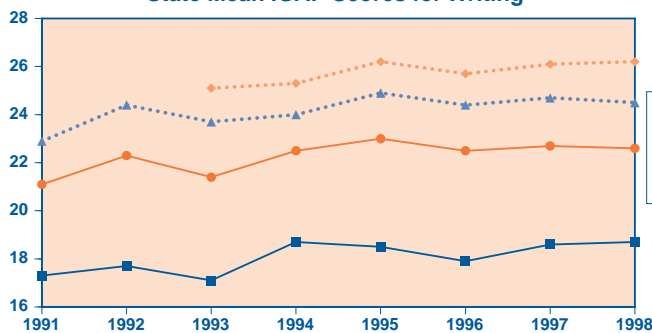
changes in student assessment will include testing at the grade 5 level (instead of grade 6) as well as test results for high school students becoming part of their permanent record and test results for elementary pupils becoming part of their temporary record.

The accompanying charts show a severe downturn in reading scores from 1993 to 1997 for all grade levels tested. However, reading test scores increased significantly for grades 6, 8, and 10 in 1998 while grade 3 scores remained steady. Conversely, math scores have increased significantly throughout the 1990's, particularly in grades 3, 6, and 8. For both writing and science, increased achievement has been at a fairly steady pace over the decade while social science achievement accelerated in 1997 and 1998.

Aside from test scores, other statistical variables of public elementary and secondary education are compiled by the State Board of Education (SBOE). A list of several of the variables and performance scores may be found in the table on page 12.

Trend analysis of the majority of the variables studied shows improvement. Graduation rates along with student attendance rates, student mobility rates, and ACT scores recorded their best performance of the decade in 1998. At 81.8%, the 1998 graduation rate is 3.4 percentage points higher than in 1990.

State Mean IGAP Scores for Writing



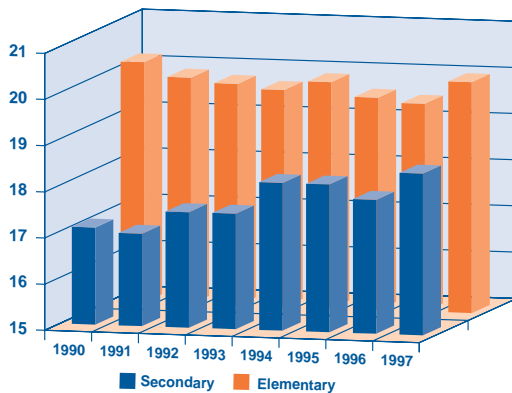
The student attendance rate of 93.9% marks the fourth consecutive year this barometer has increased while the student mobility rate of 18.2% marks the third consecutive year of decline and is 3.7 percentage points lower than in 1990. In addition, ACT scores have increased for four years in succession

throughout the decade and despite the fact that dropout rates have declined the last four years, the rate currently is the same as 1993.

Other than assessment test scores, one of the most closely watched education variables is pupil-teacher ratios. Despite the influx of General Funds dollars into Illinois public schools, pupil-teacher ratios have remained fairly steady in the 1990's for elementary education and have increased in secondary classrooms. Many educators believe that one of the best ways to improve how well a child learns is to reduce classroom sizes, giving children more accessibility to teachers. However, substantially increased funding, particularly over the last few years, appears to have done nothing to lower pupil-teacher ratios. In fiscal year 1997, General Funds expenditures for elementary and secondary education increased \$283 million or 7.3%. At the same time, pupil-teacher ratios jumped from 19.5 to 20.0 at the elementary level and from 17.9 to 18.5 at the secondary level. In 1998, General Funds expenditures increased \$429 million or 10.4% yet pupil-teacher ratios remained exactly as they were the prior year for both elementary and secondary levels.

Why is this happening? In addition to the increasing cost of delivery (primarily salary increases for teachers and administrators), enrollment levels con-

Pupil - Teacher Ratios



with the average composite score of 21.5 in 1998 being 0.6 percentage points higher than 1990.

On the down side, low income enrollment has increased drastically



## Chicago School Reform Works *continued*

Within the Trustees' power is the authority to levy all taxes for educational purposes in the district, adopt a budget for the school district, approve all collective bargaining agreements, limit expenditure growth, and direct accountability for educational attainment. The reform legislation empowered the Board of Trustees to solve its financial and academic problems independently with the flexibility to restructure the central office, reconstitute non-performing schools, privatize services, and to streamline educational management.

### Financial Reforms

Complete financial control was granted to the trustees for the initial four-year period of the reform including the suspension of the Chicago School Finance Authority. As part of that control, a significant amount of spending flexibility was provided. Six property tax levies were consolidated into one aggregate limited levy to be used for educational purposes. While no additional tax money was received through the combined levy, the flexibility allowed the trustees to spend money in areas they deemed critical. Along the same lines, a pilot program for block grants was developed which combined twenty-seven state funded categorical grants into two block grants. The block grants were not intended to relieve the district of its obligation to provide the services required under a specific program. Rather, the use of block grants simply gives the Board relief from certain administrative obligations and miscellaneous expenditures, thus enhancing its flexibility. The modification of the district's balanced budget requirements, which in previous years had delayed the opening of schools during budget negotiations, provided even more financial flexibility for trustees.

Due in part to the flexibility allowed the trustees, the financial

stability of the district has improved. As evidence of the increased financial stability, the debt rating of the Chicago Public Schools has been increased twice by Standard & Poors Rating Services and Moody's Investor Services. The current debt rating by Standard & Poors for the district is A-, up from BBB- prior to the 1995 reforms. Moody's rates the district at Baa1, up from Ba in 1995. As a result of the upgrades, access to capital markets has increased. With the increased access to capital, school facilities have been upgraded substantially. Infrastructure improvements have averaged more than \$400 million per year over the past three years compared to less than \$100 million previously.

### Collective Bargaining and Employment Structure Reform

Trustees have been given the authority to enter into collective bargaining agreements for up to four years and to enter into contracts with third parties to privatize services performed by employees. Fourteen days written notification is required for termination. Trustees are also allowed to replace civil service employees as they deem necessary, with or without cause. Unions were prevented from striking for the first eighteen months of the initial four year reform time frame to prevent disruption of any progress made by the Trustees in the transformation of the school system.

### Reconstituting Schools

The Superintendent of the

Chicago School District is authorized to identify non-performing schools, place them on remediation by developing a remediation plan, and to place a school on probation if the problems associated with the school's non-performance can not be remediated. A school on probation is given a maximum of one year to improve its deficiencies, and if it fails to make adequate progress, the Superintendent may, with the approval of the School Board and after an opportunity for a hearing, reconstitute the school. The reconstitution of a school involves replacing and reassigning all employees of the school. In addition, the trustees have the power to take immediate corrective action, without first placing the school on remediation or probation, if there is a violation of civil rights or of civil or criminal law, or when the Superintendent deems that the school is in educational crisis.

### Management Structure Changes

With accountability clearly defined and a tight management focus (five trustees as opposed to seventeen board members previously) the tenor of the organization was changed. Principals were put in charge of their schools and the motto "Children First" was created and paid credence in decision making.

Principals were given the power to supervise, evaluate, and suspend or discipline all teachers, assistant principals and other employees (including contractual employees) within their school. Principals were also granted the authority to fill

Chicago School District Report Card Variables

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Graduation Rate	47.4	43.7	50.7	50.2	52.2	61.2	61.7	65.2	64.9
Dropout Rate	N/R	N/R	N/R	14.8	17.0	16.6	15.5	16.2	15.8
Student Attendance Rate	89.7	89.8	89.8	89.1	88.7	89.2	89.6	91.1	91.5
Student Mobility Rate	36.0	33.7	33.5	32.8	26.3	30.3	29.0	28.7	28.5
Chronic Truancy Rate	N/R	N/R	N/R	4.7	5.3	5.7	4.7	4.6	4.4
Low Income Enrollment	66.2	70.1	79.2	68.1	79.0	79.8	83.2	84.3	84.8
Average Teaching Experience	16.7	16.7	16.6	16.6	15.3	14.3	14.5	14.7	14.8
Pupil Teacher Ratio - Elementary	22.4:1	21.3:1	20.9:1	20.3:1	21.2:1	20.5:1	20.6:1	21.7:1	22.2:1
Pupil Teacher Ratio - Secondary	17.7:1	17.9:1	18.7:1	18.6:1	21.4:1	21.0:1	20.5:1	20.2:1	20.1:1
Pupil Administrator Ratio	375.1:1	368.2:1	376.2:1	430.1:1	423.5:1	364.6:1	357.2:1	355.4:1	356.4:1
Average Teacher Salary	36,359	38,409	39,966	43,086	42,124	41,627	43,867	45,508	47,304
Average Administrator Salary	57,315	60,206	61,968	63,590	65,415	65,518	69,577	73,717	79,231
Operating Expenditures Per Pupil	5,265	5,548	5,675	6,031	6,596	6,525	6,941	7,102	6,630
Average Composite ACT Score	17.0	17.0	17.0	17.0	17.0	16.8	17.1	17.1	17.3

Source: State Board of Education

See CHICAGO REFORM, page 9



**Chicago School Reform Works** *continued*

vacant staff positions and make recommendations to the Board of Trustees on the discharge or layoff of any individual.

In addition, the educational management structure was streamlined by eliminating subdistrict councils and their superintendents, prohibiting reserve teachers, simplifying the teacher dismissal process so that it is parallel to the downstate teacher dismissal process, and prohibiting managerial personnel, such as Assistant Principals, from union representation.

**Student Performance**

The table on page 8 and charts below illustrate several measures of student performance and other educational variables tracked by the State Board of Education. These measures provide some insight into the challenges, successes and failures of the Chicago School District.

One measure that immediately jumps out in analyzing the data is the percentage of low-income enrollment within the Chicago School District. At 84.8%, the percentage of low-income enrollment in the Chicago

School District is more than double the statewide average of 36.3% and has increased in each of the last five years. Research commonly points to poverty among children as a major contributor to educational deficiencies. The social ramifications of poverty include substandard housing, poor nutrition and inadequate health care. Impoverished children are placed at an immediate educational disadvantage due to these social factors as well as limited access to learning tools such as books and computers.

Despite the increase in low-income enrollment within the Chicago School District, many indicators show improvement. With the exception of 8th Grade Math, the percentage of pupils who met or exceeded state goals for reading and math improved at each grade level tested (Grades 3,6,8, and 10) from 1997 to 1998. In 1998, 45% of third grade students met or exceeded state goals for reading compared to 44% in 1997. Sixth grade students who met or exceeded reading goals increased from 35% to 46% while eighth grade

students improved from 42% to 50% and tenth grade students from 38% to 48%. For mathematics, 80% of third graders met or exceeded goals compared to 75% in 1997. Sixth grade pupils who met or exceeded math goals increased from 70% to 74% while tenth grade students increased from 48% to 56%. Tenth grade student who met or exceeded goals remained level at 72%.

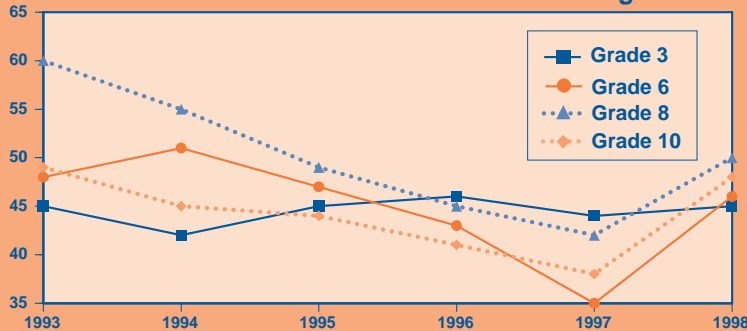
In addition to the improvements in reading and math, the 64.9% graduation rate for 1998 is significantly higher than the 47.4% rate in 1990 and the 52.2% rate in 1994 (the year before recent reforms were implemented). Also the dropout rate of 15.8% in 1998 is 1.2 percentage points lower than in 1994 and the student attendance rate of 91.5% for 1998 is 2.8 percentage points higher than 1994. In addition, the average ACT score of 17.3 in 1998 is the highest of the decade.

**Conclusion**

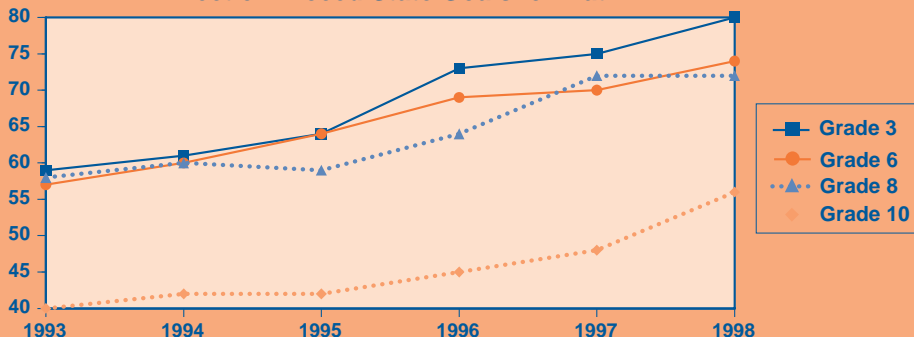
Faced with the daunting challenge of reforming a school district on the brink of disaster, political, business, and education leaders set forth in 1995 to rescue the Chicago public schools. Large-scale reforms were put in place and Mayor-appointed trustees were assigned to carry out the transformation of the district. While the district remains below state averages in virtually every performance measure available, considerable progress has been made.

Experts point to the Chicago reforms, particularly financial flexibility, accountability, and the mindset of putting "Children First" in decision making, as the keys to progress. The more successful the reforms, the more pressure there will be to extend the reforms to the rest of the state.

**Percentage of Chicago School District Pupils Who Meet or Exceed State Goals for Reading**



**Percentage of Chicago School District Pupils Who Meet or Exceed State Goals for Math**





# CENTERPIECE

## Consolidating the School Funds

Did you know, that under current law it can take transactions from all four of the state's General Funds to issue the bi-monthly school aid (apportionment) payment? Prior to fiscal year 1983, apportionment, or general state aid to elementary and secondary schools, was paid from the Common School Fund and required transfers from the General Revenue Fund to support appropriations. Today, apportionment is paid from two funds and can require up to three transfers to make the payments. Besides the accounting problems it creates, this funding mechanism is unnecessarily complicated and makes it hard to follow how education is financed.

### Current Funding

Since fiscal year 1990 when the Education Assistance Fund came into existence, there have been two appropriations for apportionment payments. Of the nearly \$3 billion appropriated for state aid in fiscal year 1999, the bulk of the payments come from the Common School Fund (\$2.5 billion), with the remainder paid out of the Education Assistance Fund (\$424 million).

The Common School Fund receives direct cash receipts from the cigarette and public utility taxes, and periodic transfers from the State Lottery, as well as an assortment of revenues from a series of minor sources. However, even in the peak years of the Lottery, there is never enough money to cover all of the items that have been appropriated from the Common School Fund. In order to make sure that the Common School Fund appropriations are paid out, state statutes provide for two additional transfers to support spending from that fund.

The first transfer comes from a fund called the General Revenue-Common School Special Account Fund. This fund was created in 1983 to

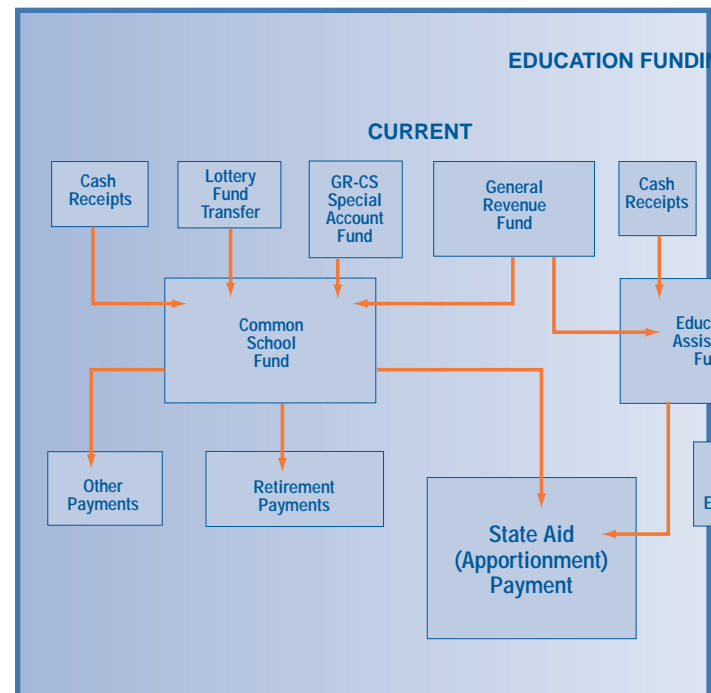


receive 25% of the state's share of sales tax collections. Although it is technically classified as an appropriated fund within the General Funds group, there are never any appropriations made against this fund. Its sole purpose is to serve as a temporary repository for sales tax collections that are eventually used to support apportionment and retirement spending. It is really more of a conduit than a fund. In fact, it is essentially an extension of the Common School Fund (hence the name Special Account).

Although one-quarter of sales tax collections is admittedly a large number, it is still not enough to cover the appropriations that are enacted from the Common School Fund every year. The difference between what is needed and what the Common School Fund receives from tax revenue, Lottery transfers, and transfers from the Special Account Fund is, by law, provided by the General Revenue Fund. Prior to the establishment of the Education Assistance Fund, these three funds—Common School, General Revenue-Common School Special Account, and

General Revenue—made up the General Funds group.

A temporary increase in income taxes was enacted in fiscal year 1990 with the revenues generated divided between education and local governments. When the Education Assistance Fund was created, it was added to the General Funds group because its purposes largely paralleled those of the other three funds—financing apportionment payments for elementary and secondary education and some of the expenses of Illinois' public higher education community. As the revenues of the Education Assistance Fund grew, first from the natural growth in income tax revenue, and then due to the addition of river boat gaming revenues, the appropriations grew as well.



**Comparative Distribution of Appropriations and Resources Under Current Law and Under the Proposed Consolidation Based on the Current Budget for FY 1999 (millions of dollars)**

Appropriations	Current Law				If Consolidated	
	Common School	Education Assistance	General Revenue	Total	Common School	General Revenue
State Aid	2,499	424	-	2,923	2,923	-
Teacher Retirement	481	-	32	513	-	513
Higher Education	-	205	-	205	-	205
<b>Total Appropriations</b>	<b>2,980</b>	<b>629</b>	<b>32</b>	<b>3,641</b>	<b>2,923</b>	<b>718</b>
Estimated Resources	Common School	Education Assistance	General Revenue	Total	Common School	General Revenue
Sales Taxes	1,370	-	-	1,370	1,370	-
Lottery Transfers	570	-	-	570	570	-
Income Taxes	-	599	-	599	599	-
Gaming Transfers	-	227	-	227	-	-
Other Sources	150	-	-	150	150	-
Sub-total Resources	2,090	826	-	2,916	2,916	-
GRF Transfer Needed to Cover Appropriations <sup>a</sup>	890	-	-	890	7	883
<b>Total Resources</b>	<b>2,980</b>	<b>826</b>	<b>-</b>	<b>3,806</b>	<b>2,923</b>	<b>883</b>

<sup>a</sup>-Under current law, approximately \$890 million would have to be transferred from GRF to the Common School Fund to bring total resources up to the \$2,980 million in FY 1999 appropriations from the Common School Fund. By depositing EAF resources in the Common School Fund and shifting retirement contributions to GRF, the proposed consolidation would lower the transfer amount to about \$7 million. The remaining \$883 million in GRF resources would then be available to support teacher retirement contributions and those higher education expenditures that had been appropriated from the Education Assistance Fund.

The addition of the Education Assistance Fund brought with it some new wrinkles to the management of apportionment payments. Instead of issuing payments from one fund, state aid payments now flowed from two funds. Both payments served the same purpose—they were just drawn against separate funds. And, while the Common School Fund could turn to the Special Account Fund and General Revenue Fund for resources whenever the state aid payment came due, there was no similar back-up mechanism in place for the Education Assistance Fund.

This set-up led to some rather unusual results when the State went through the fiscal crisis of the first half of

the 1990s. On days when the state aid payment was due, the Common School Fund would draw on the Special Account Fund, and if there were still not enough balances to process the payment, the General Revenue Fund would have to be tapped. However, that was also the time when there were hundreds of millions of dollars worth of bills waiting for payment from the General Revenue Fund at the Comptroller's Office. Curiously enough, though, there were often balances sitting idle in the Education Assistance Fund.

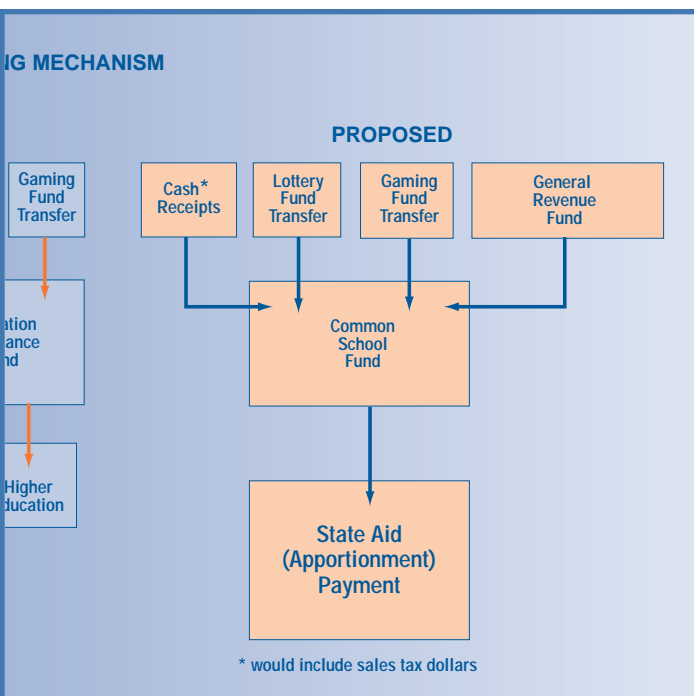
As state finances were buffeted by recession and intense spending pressures, there was a great deal of juggling that had to occur in order to keep state aid payments going out on time. In addition to short-term borrowing and holding of other General Revenue Fund payables, the Comptroller's Office worked closely with the State Board of Education to manage the vouchering process between the Common School and Education Assistance Funds. Sometimes, there simply was not enough money in the Education Assistance Fund to cover a particular state aid payment. At other times, the spending pressures on the General Revenue Fund were so great that

there would not be enough money in that fund to also help cover the normal distribution from the Common School Fund.

The problems with the Education Assistance Fund peaked in fiscal year 1998 when appropriations exceeded resources available. During much of that year, the Comptroller's Office was actively involved in managing the balances in the fund. By the end of the fiscal year, legislation was enacted to provide the same General Revenue Fund transfer authority to the Education Assistance Fund that the Common School Fund has.

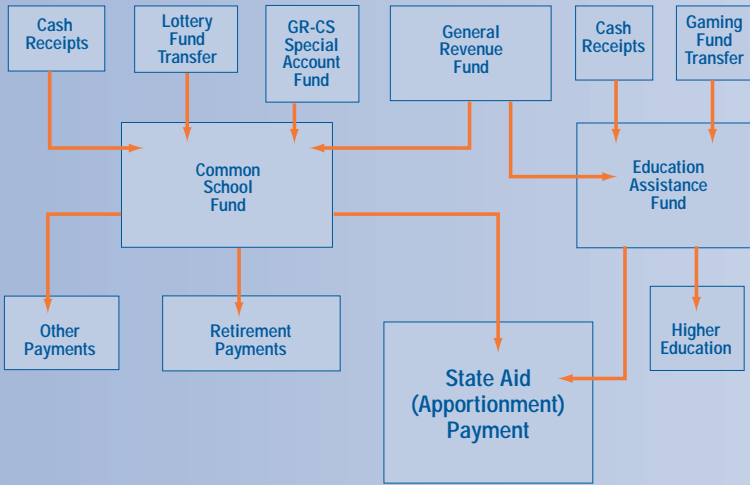
### Where That Leaves Us

Unlike prior years, the fiscal year 1999 Common School Fund appropriations now cover two basic purposes—apportionment and teacher retirement. The other purposes, which had been supported by the Common School Fund and led to the creation of the Special Account Fund, are now appropriated from the General Revenue Fund. In fact, the Common School Fund is no longer the sole source of teacher retirement appropriations; \$32 million of the \$512 million state contribution to the downstate teachers' pension system is to be paid out of the General Revenue Fund. The Education Assistance Fund continues to provide funding for apportionment, but only at 69% of fiscal year 1998's appropriation (\$424 million versus \$612 million). The remainder of the

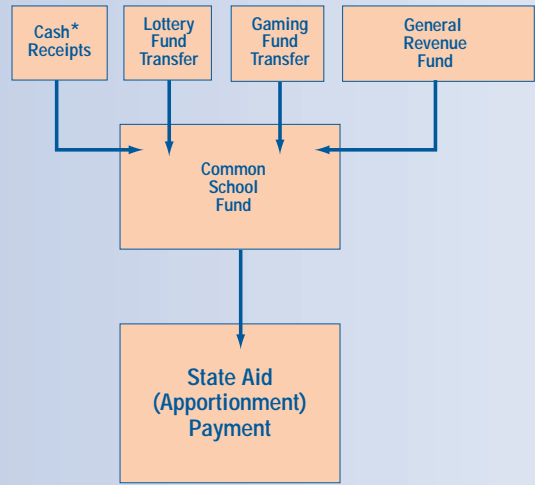


### EDUCATION FUNDING MECHANISM

#### CURRENT



#### PROPOSED



\* would include sales tax dollars

**Statewide School Report Card Variables**

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Graduation Rate	78.4	78.0	80.8	81.4	78.0	80.7	80.5	81.6	81.8
Dropout Rate	N/R	N/R	N/R	6.2	7.0	6.8	6.5	6.4	6.2
Student Attendance Rate	93.5	93.5	93.6	93.4	93.2	93.4	93.5	93.8	93.9
Student Mobility Rate	21.9	20.6	20.4	20.0	18.8	19.3	18.8	18.4	18.2
Chronic Truancy Rate	N/R	N/R	N/R	2.2	2.4	2.4	2.3	2.3	2.3
Low Income Enrollment	27.8	29.1	32.0	30.3	33.5	34.0	34.9	35.7	36.3
Average Teaching Experience	15.8	15.7	15.8	16.0	15.4	14.2	14.4	14.8	15.0
Pupil Teacher Ratio - Elementary	20.2:1	19.9:1	19.8:1	19.7:1	19.9:1	19.6:1	19.5:1	20.0:1	20.0:1
Pupil Teacher Ratio - Secondary	17.1:1	17.0:1	17.5:1	17.5:1	18.2:1	18.2:1	17.9:1	18.5:1	18.5:1
Pupil Administrator Ratio	248.4:1	248.5:1	251.6:1	260.2:1	262.3:1	255.6:1	253.2:1	250.8:1	250.6:1
Average Teacher Salary	32,925	34,709	36,508	38,809	39,545	39,505	41,014	42,429	43,806
Average Administrator Salary	52,564	55,535	58,540	61,123	63,706	64,835	67,479	70,183	73,423
Operating Expenditures Per Pupil	4,519	4,808	5,066	5,327	5,579	5,705	5,922	6,158	6,281
Average Composite ACT Score	20.9	20.8	20.9	21.0	21.0	21.1	21.2	21.3	21.5

Source: State Board of Education

continue to rise. And with enrollment projected to increase by another 100,000 plus students over the next five years, in excess of 5,000 new teachers will need to be hired just to maintain current levels. Help in this area is forthcoming as recently completed federal budget negotiations pledge to provide startup funding to put 100,000 new teachers in first through third grade classrooms nationally.

**Enrollment**

For the eleventh consecutive school year elementary and secondary enrollment in public schools increased. The State Board of Education reports that 1,953,356 kindergarten through twelfth grade students are enrolled in public institutions this school year, 13,902 or 0.7% more than last school year and 4.5% over the last five school years. Over the same time period, private school enrollment is up only 1.4% or 4,304 to 321,406. State Board estimates project increased public school enrollment over the next four school years as well, reaching 2,056,435 pupils by the school year 2002-03 (no projections are done by the State Board on private school enrollment).

While public school enrollment has increased for eleven consecutive years, the increases have not been uniform across all regions of the state. The Suburban Cook and Collar County region has experienced growth of 104,671 students or 14.2% over just the last five years reflecting the overall, booming growth of the Chicago collar counties. Over the same period, Chicago schools enrollment has increased by 12,541 students or 3.2% while in all other areas of the state, enrollment has declined by 33,900 students or 4.7%.

While public school enrollment has decreased by 4.7% for downstate schools, private school enrollment has increased by 3,628 pupils or 4.8%. For Suburban private schools, enrollment has increased by 11,203 or 8.3% while Chicago private school enrollment has declined by 10,527 pupils or 9.9%.

Public school enrollment numbers include charter schools while private school enrollment includes various alternative schools. One form of alternative schooling not reflected in the private schools enrollment numbers is home schooling. Currently, the State Board has identified approximately 1,200 children who are educated at home in Illinois. However, the number could be much higher as home schooling is not regulated in Illinois and submitting information to the State Board of Education is voluntary. Since the 1980's, home schooling has largely been viewed as an option for religious fundamentalists but there may be a shift in the reasons people choose this educational approach. A recent survey in Florida reveals that the number one motivation for choosing home schooling is dissatisfaction with public and private schools.

Technology, namely the proliferation of home computers and education software, is also playing an important role in the growth of home schooling. A 1996 study showed that 86% of home schoolers owned a personal computer.

This is a much higher rate than the general population of families with children.

The relationship between home schooling and technology has spawned not only on-line academies and classrooms, but an emerging cottage industry of computer reselling businesses and software review publications.

**Conclusion**

With statewide school reform efforts in their infant stages, ascertaining the degree of success as a result of reform is premature. While assessment test results, particularly in reading, were encouraging in 1998, a long-term trend of increased student achievement is optimal. The Chicago School reform efforts suggest that improvement in student achievement can be attained over time. The level of student achievement will be monitored closely over the next few school years in an effort to gauge the effectiveness of statewide reforms put in place in December of 1997.

**Public and Nonpublic Kindergarten through Grade 12 Fall Pupil Enrollment**

School Year	Statewide			Chicago			Suburban**			Downstate		
	Public	Nonpublic	Total	Public	Nonpublic	Total	Public	Nonpublic	Total	Public	Nonpublic	Total
1993-94	1,856,142	317,102	2,173,244	394,799	106,508	501,307	735,059	135,420	870,479	726,284	75,174	801,458
1994-95	1,877,351	320,290	2,197,641	393,639	103,441	497,080	761,916	139,783	901,699	721,796	77,066	798,862
1995-96	1,902,142	323,438	2,225,580	398,062	101,128	499,190	778,734	143,648	922,382	725,346	78,662	804,008
1996-97	1,923,967	320,880	2,244,847	403,504	100,487	503,991	786,715	142,120	928,835	733,748	78,273	812,021
1997-98	1,939,454	321,406	2,260,860	407,340	95,981	503,321	839,730	146,623	986,353	692,384	78,802	771,186
1998-99*	1,953,356											
1999-00*	1,987,178											
2000-01*	2,026,527											
2001-02*	2,042,351											
2002-03*	2,056,435											

State Board of Education Estimates.  
\*Includes Suburban Cook County, DuPage, Kane, Lake, McHenry, and Will Counties.

# AN IDEA WHOSE TIME HAS ARRIVED?

Dr. Dale F. Martin  
Superintendent  
Downers Grove Grade School District 58

Think with me for a moment: What if Thomas Edison had said, "Candles are fine?" What if Henry Ford has said, "What's wrong with the horse and buggy?" What if Michaelangelo had said, "I don't do ceilings?" Walt Disney's advice was to "think beyond your lifetime if you want to accomplish something truly worthwhile." Over the past thirty-five years I have had the privilege to serve in the field of public education. Serving first as a custodian, then a teacher, coach, assistant principal, principal, assistant superintendent, and superintendent of schools, I have had the opportunity to work with many dedicated employees and parents. As a parent of six children who attended public schools, I have had the opportunity to witness the public school system from without as well as from within.

Reflecting back on the last fifty years of my life, I have personally witnessed many educational fads come and go (the educational program of the year club), yet I am struck by how little we educators and parents have truly considered changing the basic foundation of public schools. With charter schools, voucher programs, privatization considerations all open for discussion and implementation, I wonder...has the time arrived when education for ALL CHILDREN should be YEAR ROUND? By year round, I am not referring to what is currently the alternative calendar approach. You know, the 175-185 school day year for students just done differently. No, I mean a YEAR ROUND calendar!

Picture, if you will....students attending school for 200 days, opportunities for enrichment and remediation for an additional 20 days, teachers with a 240 day contract, with 200 student days, an optional 20 days to be used for teaching enrichment and remediation, and 20 days for inservice for professional growth where substitutes would not be required. A YEAR ROUND SCHOOL.

What would the advantages of this YEAR ROUND school year be? Several! Just to list a few:

1. An instructional program that reinforces the importance of learning, requires less review, and enables greater retention for all students.
2. Enhanced learning through intersession periods used for enrichment and remediation.
3. Develop an attitude of learning as a lifelong process.
4. Increased time-on-task opportunities for all children without limiting experiences in the fine arts, physical education, or foreign language as current time limits do.
5. Serve all customer needs more effectively with today's standard and style of living and work requirements.
6. Eliminate the absurd logic that schooling is only a part-time job or experience for all participants.

A decade ago, the authors of "A Nation At Risk" argued that in order for our country to be competitive, the U.S. school year should be as long as 220 days. That recommendation, I believe, is still a solid one. The YEAR ROUND SCHOOL is an idea whose time has arrived.

Quantity without quality is not the answer. Educators have been working very hard to improve the quality of education in our country. Many believe that the public school educator is currently doing the BEST we have ever done in servicing our customer. I believe this is true. However, I also believe that working smarter, not just harder, is the only answer for future success. QUALITY WITH QUANTITY is the answer!

Is the YEAR ROUND SCHOOL an idea whose time has arrived? Only when educators are willing to truly serve students and parents first, will American public schools thrive and continue to be the foundation for our great democratic country's success.





# Focus on Higher Education

## The Price of a Good Professor

Although Illinois colleges and universities make it a priority to attract and retain the best faculty, the University of Illinois - Urbana/Champaign ranks only 18th among 21 of its peers in terms of weighted average faculty salaries. Can a state flagship university ranked 18th out of 21 attract and retain the best educators? And if the U of I shows poorly, what does that say about Illinois' public university system as a whole?

The U of I ranking is based on a study conducted by the Illinois Board of Higher Education (IBHE). That study

age faculty salary at the U of I - Urbana/Champaign campus was \$69,400. While this amount was the highest of the state's nine public universities, it was only 93.2% of the peer group median of \$74,500. Overall, the state's \$55,000 weighted average salary was 94.5% of the national peer group median. Only the U of I - Chicago campus exceeded its peer group weighted median salary (102.1%).

Another measure of salary competitiveness among public universities is total compensation. This includes faculty salary and fringe benefits such as retirement, medical and life insurance, and tuition reimbursement. These extras represent a significant financial commitment by the institution, and are often the determining factor in attracting and retaining faculty.

By this measure, Illinois fared even

make faculty salaries more competitive. Using programs such as Priorities, Quality, and Productivity (See Fiscal Smarts for more details), the IBHE continues to allocate new resources and reallocate existing resources from lower priority programs to higher priorities, such as faculty salaries. And since fiscal year 1995, the General Assembly has appropriated funds to public universities that were sufficient to support salary increase decisions above the rate of inflation.

Even with these increases, however, the state's public universities are less competitive now than in fiscal year 1990 in terms of weighted average salaries. At that time, the overall state weighted average faculty salary was 96.1% of the peer group median (compared to 94.5% now). In addition, four campuses met or exceeded their peer group median.

These were Governors State (103.7%), Northern Illinois (101.0%), Southern Illinois - Carbondale (100.0%), and U of I - Chicago (100.6%). At the same time, two other campuses were very close to their peer group median (Southern Illinois - Edwardsville at 99.8% and U of I - Springfield at 99.5%). By 1998, only the U of I - Chicago exceeded its peer group median (102.1%), and only Governors State was close (99.4%).

Ultimately, salary decisions are made at the campus level. Personnel decisions such as the mix of full-time and part-time faculty, staffing levels, and availability and allocation of resources will

always play a role in setting salaries. The availability of resources is a key to making Illinois' public universities more competitive. Here, public universities find themselves in a Catch-22 situation. On one hand, higher tuition can make it more difficult for many to attain a higher education. But without increased resources, how can our universities attract and retain the best educators? The task facing Illinois policy makers is to develop creative ways of answering that question.

**Illinois Public Universities  
Weighted Average Faculty Compensation<sup>1</sup>  
as a Percentage of Comparison Group Medians**

	Fiscal Year 1998 All-Rank Average			Fiscal Year 1998 Peer Group Median			Percent of Peer Group Median		
	Salary	Fringe Benefits	Total	Salary	Fringe Benefits	Total	Salary	Fringe Benefits	Total
Chicago State University	\$ 43.2	\$ 7.4	\$ 50.6	\$ 47.0	\$ 12.0	\$ 59.0	91.9 %	61.7 %	85.8 %
Eastern Illinois University	44.1	7.2	51.3	51.4	11.6	63.0	85.8	62.1	81.4
Governors State University	50.3	8.4	58.7	50.6	11.9	62.5	99.4	70.6	93.9
Illinois State University	51.0	8.2	59.2	54.7	13.5	68.2	93.2	60.7	86.8
Northeastern Illinois University	47.5	8.3	55.8	48.7	12.4	61.1	97.5	66.9	91.3
Northern Illinois University	50.6	8.4	59.0	51.7	12.3	64.0	97.9	68.3	92.2
Western Illinois University	46.5	8.2	54.7	51.9	11.7	63.6	89.6	70.1	86.0
<b>Southern Illinois University</b>									
Carbondale	48.0	8.8	56.8	52.1	12.5	64.6	92.1	70.4	87.9
Edwardsville	48.8	8.5	57.3	50.8	11.4	62.2	96.1	74.6	92.1
<b>University of Illinois</b>									
Chicago	63.0	9.8	72.8	61.7	13.5	75.2	102.1	72.6	96.8
Springfield	53.0	8.8	61.8	54.2	12.9	67.1	97.8	68.2	92.1
Urbana-Champaign	69.4	10.4	79.8	74.5	18.8	93.3	93.2	55.3	85.5
Weighted Average	\$ 55.0	\$ 9.0	\$ 64.0	\$ 58.2	\$ 14.0	\$ 72.2	94.5 %	64.1 %	88.6 %

<sup>1</sup> Salary and the cost of major fringe benefits including retirement, medical/dental insurance, disability insurance, tuition reimbursement, life insurance and worker's compensation.

Source: Illinois Board of Higher Education

compares the weighted average salaries and total compensation paid to higher education faculty in Illinois to similar institutions nationwide to measure competitiveness in faculty recruitment. The IBHE report encompasses 1,534 institutions gathered into 41 comparison (or peer) groups. These groups are based on a number of criteria including: similarity in size of the institution, program mix, degrees conferred, and financial and faculty characteristics.

For fiscal year 1998, the IBHE study reported that the weighted aver-

worse because the state's average weighted fringe benefits package for public universities compares poorly to the peer group median (\$9,000 versus \$14,000). The state's overall public university weighted average faculty compensation package of \$64,000 is only 88.6% of the median total compensation for peer institutions. Unlike the salary measure, no state institution surpassed its peer-group median after fringe benefits are considered.

The Illinois Board of Higher Education continues to look at ways to



# Focus on Spending

## School Transportation Costs

Over the years, school districts have taken the responsibility for transporting a growing percentage of their pupils to the classroom. According to a survey by School Transportation News, 53.4% of Illinois public school pupils were bused at public expense during the 1995-96 school year, compared to 54.2% nationally. The transportation effort required 444,553 school buses nationally including 18,313 in Illinois. This trend probably reflects a decreased population density that leaves children farther from their school and fewer non-working relatives in the family to escort a child to school.

**Transportation is the second largest categorical grant program in Illinois' elementary and secondary education budget, second only to appropriations for special education.** The fiscal year 1999 budget contains General Revenue Fund appropriations of \$307 million for

paid to the other school districts based on a formula that reimburses a portion of their allowable costs for transporting eligible pupils. Parents or guardians eligible for transportation grants receive a prorated per pupil grant on application to the State Board of Education.



Regular*	\$143
Vocational*	\$348
Special Education*	\$1,408
Parent/Guardian**	\$55

\* Excludes the Chicago Board of Education which receives a block grant.  
\*\* Appropriation increased from \$5.1 million in fiscal year 1997 to \$10.1 million in fiscal year 1998.

Regular transportation reimbursements, which require a qualifying contribution by school districts, cover a portion of transportation costs for pupils residing at least 1 1/2 miles from their school or having to pass through a safety hazard area on the way to school. Private school students living along a public school transportation route may also receive reimbursable transportation service.

The parent/guardian reimbursement program is available to families of public and private school students where the pupils live more than 1 1/2 miles from their school or face a serious safety hazard and free busing is not provided. The reimbursement rate is prorated to the appropriation available and paid to applicants on a per pupil basis. In fiscal year 1998, the grant under this program (reimbursements for school year 1996-97 travel expenses) was \$99.24 per pupil. There were 52.3 thousand private school claims for 76.3 thousand pupils at a cost of \$7.5 million and 18.0 thousand claims for 23.0 thousand public school pupils at a cost of \$2.2 million.

Vocational transportation reimbursements are available to school dis-

tricts that transport pupils to approved vocational programs during the school day. Special education reimbursements are to school districts and special education cooperatives for special transportation costs to individuals with disabilities. Special education reimbursements are provided for qualified transportation for students enrolled in both public and private schools. State reimbursements are four-fifths of allowable transportation costs for both vocational and special transportation.

In fiscal year 1998, appropriations were insufficient to fully pay reimbursements. In this case, payments are prorated. The proration rate was 80.9% for regular and vocational transportation and 87.4% for special education costs. The latest State Board of Education figures, for the 1995-96 school year, indicate that an average of 863 thousand pupils (including 36 thousand private school pupils) were provided regular transportation. Reimbursements of \$124 million provided a state subsidy of \$143 per pupil. Reimbursements of \$5.2 million to transport 15 thousand vocational students cost the state an average of \$348 per student, and reimbursements of \$88.4 million to transport 63 thousand special education pupils cost the state an average of \$1,408 per pupil.

The Chicago Public School block grant guarantees that the district receives the same percentage of monies for this program as it received from fiscal year 1995 appropriations. During fiscal year 1999, the block grant is expected to include \$6.1 million for regular and vocational transportation and \$43.3 million for special education transportation.

Regular and Vocational	\$155.6 million
Chicago	\$6.1 million
Other	\$149.5 million
Special Education	\$141.1 million
Chicago	\$43.3 million
Other	\$97.8 million
Parent/Guardian Grants	\$10.1 million
Total	\$306.8 million

school transportation assistance for both public and private school students. This amount includes \$156 million for regular and vocation pupil transportation, \$141 million for special education pupil transportation, and \$10 million for grants to parents or guardians to whom free transportation is not provided.

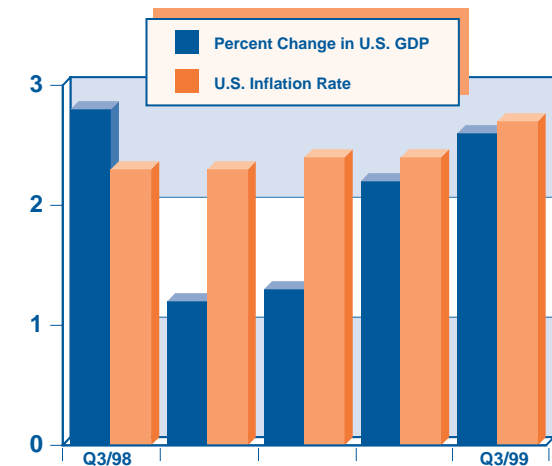
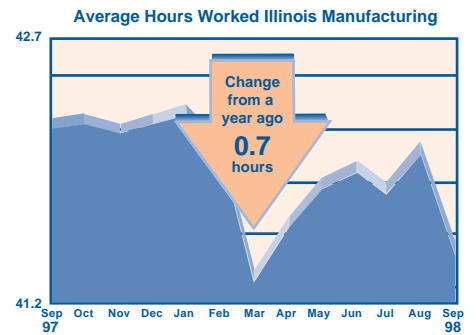
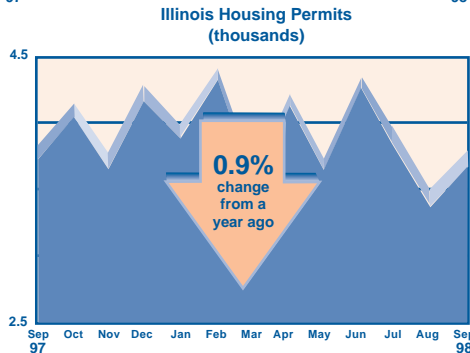
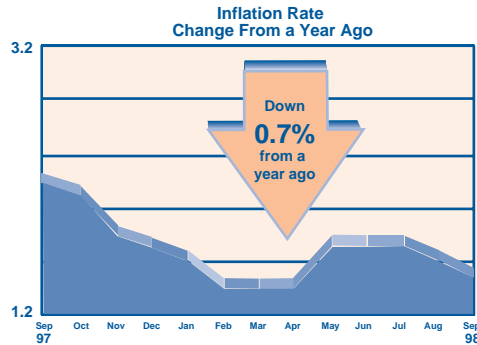
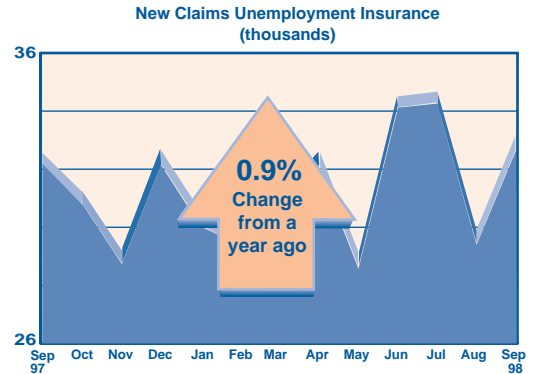
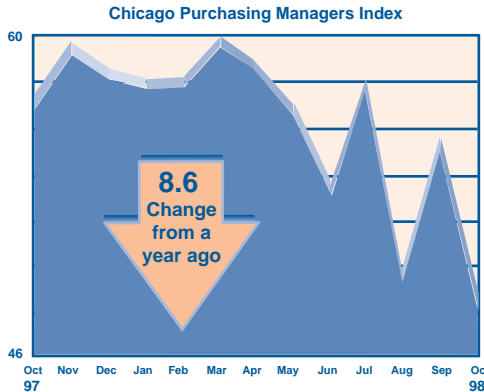
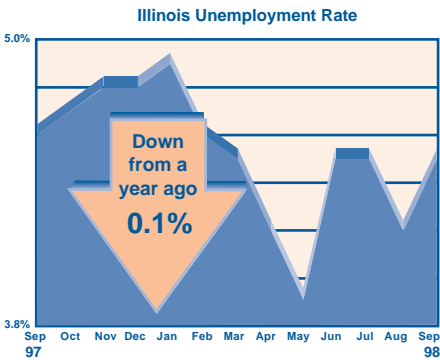
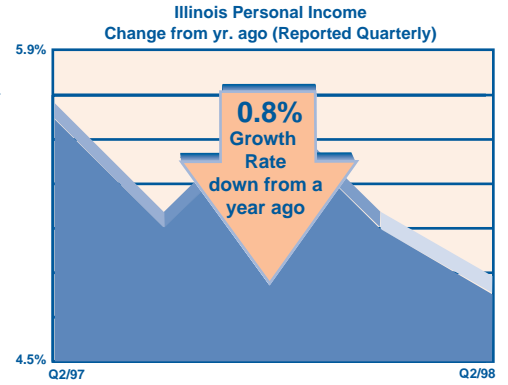
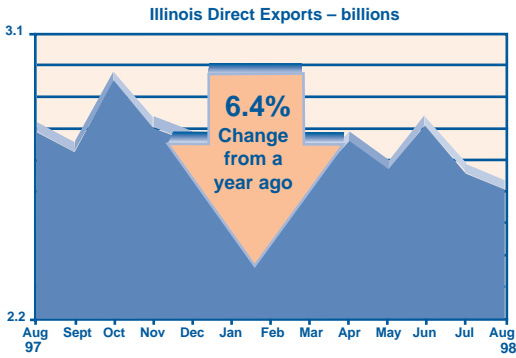
Distribution of state appropriations for pupil transportation expenses varies. The Chicago public schools receive a block grant for transportation based on their historic share of transportation grants. The remainder of the appropriations for regular, vocational, and special education transportation is





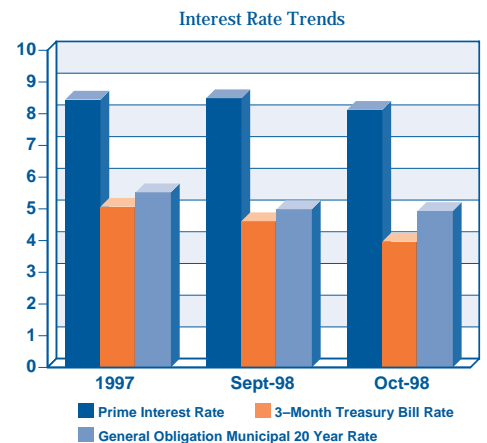
# ILLINOIS STATS: Economic and Financial

The Illinois unemployment rate was 4.5% in September, 0.3% greater than the August Illinois rate, 0.1% below its year earlier level and 0.1% less than the September national rate. The Illinois unemployment rate has been below 5% for twenty consecutive months. Inflation also remained low with the September U.S. CPI only 1.5% greater than its year earlier levels. Other indicators were not so healthy. The Chicago Purchasing Managers Index (48.1 in October) was below the 50 level that indicates more reports of increasing economic activity than decreasing activity. September average manufacturing hours and housing permits and August Illinois exports were all down from prior year levels, while September new claims for unemployment insurance were up from their prior year level.



The latest DRI/McGraw-Hill economic forecast expects a slowdown in the growth rate for the U.S. economy during the first part of 1999. The growth rate for the U.S. economy is forecast to decline from 2.8% rate during the final quarter of 1998 to 1.2% and 1.3% rates during the first half of 1999. Growth rates are expected to improve during the second half of the year. Slower economic growth and competition from lower priced Asian goods will help keep inflation under control as the inflation rate is forecast to remain below 3% throughout calendar 1998 and 1999.

**SOURCES:**  
**Illinois Department of Employment Security:** Hours Worked in Manufacturing, Unemployment Insurance Claims  
**U.S. Census Bureau:** Direct Exports, Housing Permits  
**U.S. Bureau of Labor Statistics:** Unemployment Rates, Consumer Price Index



**U.S. Bureau of Economic Analysis:** Personal Income  
**Purchasing Managers Association of Chicago:** Purchasing Managers Index  
**DRI/McGraw-Hill:** Economic Forecasts  
**Federal Reserve System:** Interest Rates

# Vital Statistics

## The Heartbeat of Illinois' Finance

For the sixth consecutive year, the state's fiscal condition has improved as measured by the General Funds budgetary balance, defined as the end-of-year balance minus lapse period spending. For fiscal year 1998, the \$1.202 billion end-of-year balance minus lapse period spending of \$846 million produces a budgetary balance of \$356 million. The \$356 million reflects an increase of \$311 million over the \$45 million budgetary balance recorded last fiscal year and is the highest budgetary balance ever recorded for the state's General Funds.

At the end of the October, the General Funds cash balance stood at \$971 million and marked the seventeenth consecutive month of record end-of-month balances when compared to the same month in previous fiscal years. The end of October balance is \$216 million or 18.2% lower than the September end-of-month balance of \$1.187 billion reflecting normal cash flow patterns. The October end-of-month General Funds balance has been lower than the September end-of-month balance for the last eighteen fiscal years.

### General Funds Revenues Through Four Months - Up 9.0%

After four months, fiscal year 1999 General Funds revenues totaled \$7.099 billion, \$567 million or 9.0% above last year. Federal source revenues along with sales taxes and income taxes account for 67.4% of the total increase over the prior year.

Compared to the first four months of last year, individual income taxes are up \$111 million or 5.8% while corporate income tax receipts are down \$14 million or 5.0%. At this time last year, individual and corporate income taxes were up 9.3% and 7.7% respectively, considerably better than this year's results.

Sales taxes receipts of \$1.406 billion through the first four months of the year are \$80 million or 4.5% above

last year. While this increase is significantly less than the 9.5% recorded through October of 1998, it should be noted that last years' growth was artificially inflated due to the misallocation of sales tax receipts during fiscal year 1997. Bureau of the Budget estimates currently project a 3.9% increase for the year.

Federal revenues of \$1.379 billion are up \$205 million or 17.5% through October (due to timing). Cash receipts from federal sources are up \$135 million or 11.7% while transfers of \$89 million are up \$70 million or nearly five times the \$19 million transferred through four months of 1998.

Among other sources of revenue to the General Funds, public utility taxes declined by \$29 million in October and are now down \$28 million or 9.4% for the year. This decrease is due in part to a change in the law that eliminated the requirement to file electric utility taxes on an accelerated basis. Also, insurance taxes and fees are up \$41 million or 141.4% and riverboat gambling taxes are up \$31 million or 48.4% for the year, both due to restructuring.

### General Funds Spending Through Four Months - Up 10.2%

Through the first four months of the fiscal year, General Funds cash spending totaled \$7.099 billion, \$659 million or 10.2% more than last year. Spending for awards and grants is up \$508 million or 12.6% while operations spending is up \$156 million or 8.6%.

Awards and grants spending by the Department of Human Services is up \$230 million or 33.7%, accounting for more than one-third (34.9%) of the increase in total spending and nearly one-half (45.3%) of the increase in total grant spending. This increase is primarily due to the fact that the Department was newly formed in fiscal year 1998 and as a result had no carry-over lapse period spending from the

prior year. Of the \$230 million increase in grant spending by Human Services, \$184 million is for lapse period spending occurring in fiscal year 1999 against fiscal year 1998 appropriations.

Higher education grant spending is up \$125 million or 121.4% compared to last year, with spending from current year appropriations up \$131 million while lapse period spending declined by \$6 million. Since current year appropriations are up only \$61 million, higher education grant spending will slow significantly for the remainder of the year.

Other increases in grant spending include Teacher's Retirement (up \$67 million or 46.5%), State Board of Education (up \$42 million or 3.2%), and the Department of Public Aid (up \$29 million or 2.2%).

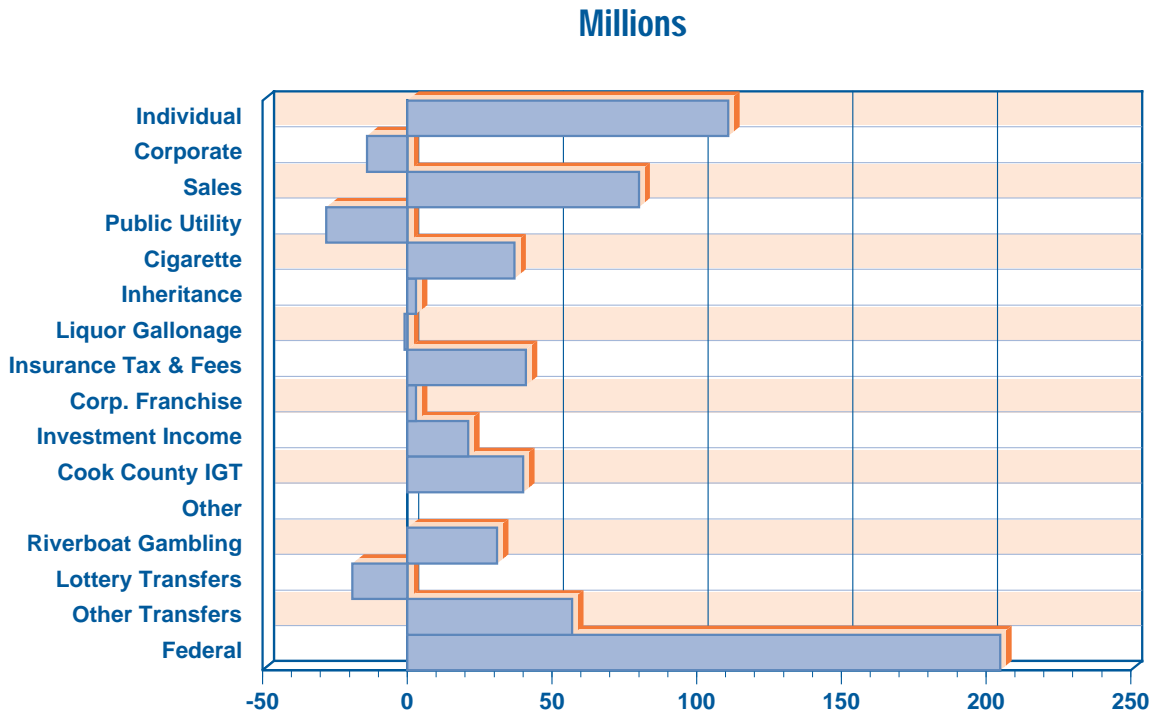
Higher education operations spending has increased by \$49 million or 10.1% through four months of fiscal year 1999. Lapse period spending is up \$14 million while spending from current year appropriations is \$35 million higher. Total appropriations for higher education operations are up \$86 million over last year.

Operations spending by all state agencies other than higher education is up \$107 million or 8.0% with lapse period spending up \$35 million and spending from current year appropriations up \$72 million (appropriations up \$284 million).

The overall fiscal condition of the state's General Funds group remains strong. Although revenue performance, the key to fiscal health, appears to have slowed somewhat from its torrid pace in fiscal year 1998, through the first four months of the year receipts from major sources are tracking ahead of estimates with the notable exception of corporate income and public utility taxes. These sources of revenue will bear close scrutiny in the coming months.



## REVENUES: Year-To-Date Changes From Prior Year



### Centerpiece continued from page 9

Education Assistance Fund's appropriations for fiscal year 1999 are split among the higher education community (\$205.5 million).

As noted at the start of this article, there are four funds that are involved in issuing state aid payments out of the appropriations from two funds. The Common School Fund portion of the state aid payment can involve transfers from both the General Revenue-Common School Special Account and General Revenue Funds. And, the Education Assistance Fund portion of the payment can also draw on the General Revenue Fund. What public interest is being served by using four funds to make two sets of payments for one purpose?

#### Proposal

Instead of the tangled web of financing that backs apportionment payments, perhaps the time has come to consolidate the process. This could be accomplished by combining the resources of the Common School Fund, General Revenue-Common School Special Account Fund, and the Education Assistance Fund into one fund to be used solely for apportionment. This would bring together sales tax dollars, Lottery transfers, cigarette

tax dollars, income tax revenues, riverboat gaming transfers, public utility tax dollars, and all of the other sources that go into these three funds.

There are a number of items that would still have to be considered. Even with the combined resources of the three funds, there may not be enough revenue to cover the state aid appropriation. Consolidation would in no way increase or decrease the appropriation for education spending. The appropriation level would continue to be set by the Governor and General Assembly, just as it is today. As a result, the current General Revenue Fund transfer mechanism would have to be left in place. But now, there would only be one appropriation, one set of payments, and only one transfer (instead of the current three) to cover that payment.

A second issue would be the state's contributions to teacher retirements. Since a portion of those payments are already being paid out of the General Revenue Fund, which is also used to support spending from the Common School Fund, serious consideration ought to be given to moving those payments completely out of the Common School Fund and into the General Revenue Fund. This would

not affect the amount to be paid, only the source of the payment.

The third concern is the portion of higher education appropriations that are paid out of the Education Assistance Fund. As with the teacher retirement contributions, there could be a resource "swap" between the Education Assistance Fund and General Revenue Fund. Putting all of the Education Assistance Fund resources into the Common School Fund dedicated solely for state aid would allow a similar amount of General Revenue Fund resources (which would have been used to support the Common School Fund) to be used for teacher retirement and higher education spending.

As demonstrated in the table, these proposals would not change the total amount of resources that are available to any of the agencies that receive appropriations from these four funds. They also would not change any of the obligations and liabilities of the funds. However, consolidating the three education funds would result in a funding mechanism that is simpler to administer and understand for one of the most important payments out of the State Treasury.

**GENERAL FUNDS TRANSACTIONS**  
( \$ In Millions )

	October		Change	Four Months		Amount	Change	
	1997	1998		FY 1998	FY 1999		Amount	Percent
AVAILABLE BALANCE, BEGINNING	\$ 880	\$ 1,187	\$ 307	\$ 806	\$ 1,202	\$ 396	49.1 %	
Revenues:								
State Sources:								
Cash Receipts:								
Income Taxes:								
Individual	\$ 437	\$ 457	\$ 20	\$ 1,910	\$ 2,021	\$ 111	5.8 %	
Corporate	36	59	23	279	265	-14	-5.0	
Total, Income Taxes	473	516	43	2,189	2,286	97	4.4	
Sales Taxes	453	464	11	1,791	1,871	80	4.5	
Other Sources:								
Public Utility Taxes	91	62	-29	298	270	-28	-9.4	
Cigarette Taxes	25	33	8	100	137	37	37.0	
Inheritance Tax (gross)	25	26	1	84	87	3	3.6	
Liquor Gallonage Taxes	5	6	1	20	19	-1	-5.0	
Insurance Tax and Fees	3	9	6	29	70	41	141.4	
Corporation Franchise Tax and Fees	8	10	2	36	39	3	8.3	
Investment Income	15	22	7	63	84	21	33.3	
Cook County IGT	54	54	...	107	147	40	37.4	
Other	19	21	2	70	70	...	...	
Total, Other Sources	245	243	-2	807	923	116	14.4	
Total, Cash Receipts	\$ 1,171	\$ 1,223	\$ 52	\$ 4,787	\$ 5,080	\$ 293	6.1 %	
Transfers In:								
Lottery Fund	\$ 48	\$ 35	\$ -13	\$ 154	\$ 135	\$ -19	-12.3 %	
State Gaming Fund	17	25	8	64	95	31	48.4	
Protest Fund	0	2	2	1	5	4	400.0	
Other Funds	16	41	25	121	174	53	43.8	
Total, Transfers In	\$ 81	\$ 103	\$ 22	\$ 340	\$ 409	\$ 69	20.3 %	
Total, State Sources	\$ 1,252	\$ 1,326	\$ 74	\$ 5,127	\$ 5,489	\$ 362	7.1 %	
Federal Sources:								
Cash Receipts	\$ 287	\$ 245	\$ -42	\$ 1,155	\$ 1,290	\$ 135	11.7 %	
Transfers In	0	0	...	19	89	70	368.4	
Total, Federal Sources	\$ 287	\$ 245	\$ -42	\$ 1,174	\$ 1,379	\$ 205	17.5 %	
Total, Revenues	\$ 1,539	\$ 1,571	\$ 32	\$ 6,301	\$ 6,868	\$ 567	9.0 %	
Expenditures:								
Awards and Grants:								
State Board of Education	\$ 392	\$ 368	\$ -24	\$ 1,309	\$ 1,351	\$ 42	3.2 %	
Public Aid	324	324	...	1,308	1,337	29	2.2	
Human Services	184	210	26	683	913	230	33.7	
Teachers Retirement	36	70	34	144	211	67	46.5	
Higher Education	14	43	29	103	228	125	121.4	
All Other Grants	98	121	23	490	505	15	3.1	
Total, Awards and Grants	1,048	1,136	88	4,037	4,545	508	12.6	
Operations:								
Other Agencies	337	348	11	1,334	1,441	107	8.0	
Higher Education	167	155	-12	485	534	49	10.1	
Total, Operations	504	503	-1	1,819	1,975	156	8.6	
Transfers Out	162	165	3	600	579	-21	-3.5	
All Other (Includes Prior Year Adjustments)	5	2	-3	10	14	4	40.0	
Total, Expenditures	\$ 1,719	\$ 1,806	\$ 87	\$ 6,466	\$ 7,113	\$ 647	10.0 %	
Adjustment for Vouchers Payable	33	-19	-52	-26	-14	12	N/A	
Total, Cash Expenditures	1,752	1,787	35	6,440	7,099	659	10.2	
AVAILABLE CASH BALANCE, ENDING	\$ 667	\$ 971	\$ 304	\$ 667	\$ 971	\$ 304	45.6 %	



## Unit Cost continued from page 2

Elementary education is, by comparison, less costly than secondary education. The average operating expense per pupil for the state's 392 elementary districts (PreK-8th) was \$5,979.75 this year. This represents a \$294.87 or 5.2% increase in operating expense per pupil since last school year.

Although elementary districts have a smaller operating expense per pupil than secondary districts, 1996-97 marks

the first year that elementary OEPP has surpassed that of unit school districts. The average operating expense per pupil for all of the 406 unit school districts was \$5,875.30. This is the lowest increase in OEPP that the unit schools have ever seen, with an increase of only \$25.13 or 0.4% over the previous school year.

The highest overall district was Rondout Elementary School, in Lake County, with \$16,259.84 per pupil. This amount is \$705.81 or 4.5% higher than last year's highest overall district. The

lowest overall district this year was Taft, in Will County, with operating expenses of \$3,341.55, which was \$236.84 more or 7.6% greater than last year's lowest school district. The increase in the lowest school district's OEPP is probably a result of the per pupil foundation level funding put into place as a result of the school funding reform package enacted last December. (See Cover Story for more details.)

## Local Government

continued from page 4

increased GSA provided to districts in 1997 are attempts to remedy the funding problems and to respond to the growing discontent regarding this unpopular tax. Nevertheless, the caps and additional aid have not been suffi-

cient to address all complaints regarding the reliance on property tax revenues in school funding.

Public funding for schools throughout the state totaled nearly \$13.2 billion in school year 1996-97 for the more than 1.9 million students enrolled during that time. Public policy makers will undoubtedly continue to struggle with the challenge of maintaining quality

schools for all Illinois children — regardless of their geographic location — while attempting to minimize the burden on taxpayers.

## Stacks Up continued from page 5

Another technology development in our schools is the Illinois State Board of Education's recent announcement that seven educational resource companies will provide on-line educational services at no charge or drastically reduced prices. These on-line resources are the Lightspan Network, Educational Structures, Chicago Academy of Sciences Club, Illinois @ Education Place, Scholastic Network,

Electric Library and Britannica On-line. Clearly, Illinois Board of Education and NCSA are working hard to provide cutting-edge technology to Illinois elementary and secondary students.

Additionally, Illinois recently established a technology loan program, making technology improvements more affordable to schools by offering loans for the purchase of computer hardware and networks. (See cover story for more information on the technology loan program.)

Illinois has obviously covered a great deal of ground in the last two years. The combination of new funding and new programs suggest that Illinois' technology ranking in elementary and secondary schools will most likely continue to improve, and Illinois will keep pace with other states.

*1. The Progress and Freedom Foundation and Government Technology magazine, The Digital State 1998: How State Governments are Using Digital Technology Washington DC: 1998.*

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