

School Funding and Tax Reform Compromise Bill

Summary & Comparison: HB755, Senate Amendment 2

New Investments

Investments	Senate Bill 750 Amendments 3 & 4	Senate Bill 1484 Amendment 2	House Bill 755 Senate Amendment 2 (Compromise Bill)
Per Pupil Funding Amount (Foundation Level)	Increases the minimum per pupil amount the state pays from \$4,964 in 2004-05 to \$6,092 Cost \$1.6 billion*	Increases the minimum per pupil amount the state pays from \$4,964 in 2004-05 to \$5964 Cost \$1.6 billion*	Increases the minimum per pupil amount the state pays from \$4,964 in 2004-05 to \$6,100 for the 2006-07 school year Cost \$1.74 billion*
Guaranteed Increases in Education Funding	Each fiscal year the General Assembly must appropriate an amount equal to the previous year plus any increase in the Employer Cost Index by the U.S. Department of Labor.	Senate Bill 1484 does not provide a specific provision to continually increase the amount of the foundation level but does provide for continuing the appropriation.	The General Assembly must increase the foundation level each year by the lesser of Consumer Price Index or 3.5%.
Property Tax Relief	Provides \$2.4 billion in property tax relief grants for school district taxes for all Illinois property owners. The property tax relief will equal at least 20% of the total property taxes for the taxpayers' school district. Cost \$2.4 billion*	Provides \$3.5 billion in property tax relief grants for school district taxes for all Illinois property owners. The property tax relief will equal 33% of the total property taxes for the taxpayers' school district. Cost \$3.5 billion*	Provides \$3.105 billion, in FY 07 , in property tax relief grants for school district taxes for all Illinois property owners. The property tax relief will equal 30% of the total property taxes for the taxpayers' school district. The General Assembly must increase property tax relief funding each year by the lesser of the Consumer Price Index or 3.5%. Cost \$3.105 billion*
Tax Credit for Poor and Working Families	A new Family Tax Credit for individuals and married couples with annual incomes of \$47,000 or less (See appendix for tax rate breakdown.) Cost \$900 million*	Increases the Earned Income Tax Credit (EITC) for individuals and families from 5% to 10% of the federal EITC Cost \$75 million*	Increases the Earned Income Tax Credit (EITC) for individuals and families from 5% to 20% of the federal EITC. Cost \$225 million*
Higher Education Assistance Fund	Provides \$400 million additional assistance to state universities and community colleges. State universities will receive \$384 million and community colleges will receive \$16 million. Cost \$400 million*	Provides \$375 million in assistance to state universities and community colleges. State universities will receive \$300 million and community colleges will receive \$75 million. Cost \$375 million*	Higher Education Assistance Fund created to provide \$370 million, beginning in fiscal year 2007 , in assistance to state universities and community colleges. State universities will receive \$277 million and community colleges will receive \$93 million. The General Assembly must increase this appropriation yearly based on the lesser of the Consumer Price Index or 3.5%. Cost \$370 million*

School Construction Bonds	Senate Bill 750 does not include a provision for an increase in the school construction bond amount.	Authorizes the state to issue \$1 billion in General Obligation Bonds to fund school construction and also provides \$80 million for interest payments on the newly issued bonds. Cost \$80 million*	House Bill 755 does not include a provision for an increase in the school construction bond amount.
Special Education Funding	Provides additional funding for all districts by fully funding the state's share of all mandated special education programs at 100%. Cost \$44 million*	Senate Bill 1484 does not provide additional funding for special education programs.	Provides additional funding for all districts by fully funding the state's share of all mandated special education programs and the school lunch program at 100%. Cost \$120 million*
Rapidly Expanding School Districts	Provides additional funds for school districts facing rapidly expanding student population. Cost at least \$30 million*	Senate Bill 1484 does not provide additional funds for rapidly expanding school districts.	House Bill 755 does not provide additional funds for rapidly expanding school districts.
State of Illinois Budget Deficit	The estimated \$1.5 billion of additional revenue collected from the revenue enhancement provisions not earmarked for education will be used to address the state's budget crisis.	Senate Bill 1484 does not provide enough revenue enhancements to address the state's budget crisis.	House Bill 755 does not provide enough revenue enhancements to address the state's budget crisis.
Early Childhood Education	Senate Bill 750 does not provide a provision to increase funding for early childhood education.	Senate Bill 1484 does not provide a provision to increase funding for early childhood education.	Provides an additional \$30 million, beginning in August of 2006, for expansion of early childhood education programs for children and parents. Cost \$30 million*
Renter's Tax Credit	Senate Bill 750 does not provide a provision to extend a property tax credit to renters.	Senate Bill 1484 does not provide a provision to extend a property tax credit to renters.	Beginning with taxable years ending on or after Dec. 31, 2006, each individual taxpayer not claiming a property tax deduction will receive a \$30 tax credit. Cost \$150 million*
Education Expense Tax Credit	Senate Bill 750 does not provide a provision to increase the education expense tax credit.	Senate Bill 1484 does not provide a provision to increase the education expense tax credit.	Increases the maximum family allowance from \$500 to \$1,000 for education expenses that can include tuition for private and parochial schools Cost \$65 million*

*All investments estimates are taken from either the text of the individual bill, Senate legislative analysis, or from the Center of Tax and Budget Accountability. (www.ctbaonline.org)

Revenue Enhancements

Revenue Enhancements	Senate Bill 750 Amendment 3 & 4	Senate Bill 1484 Amendment 2	House Bill 755 Senate Amendment 2 (Compromise Bill)
Personal Income Tax	Increases from the current 3% to 5% New Revenue \$4.8 billion*	Increases from the current 3% to 5% New Revenue \$5 billion¹	Increases from the current 3% to 5%. [^] New Revenue \$5.2 billion
Corporate Income Tax	Increases from the current 4.8% to 8% New Revenue \$602 million	Increases from the current 4.8% to 8%. New Revenue \$669 million²	Increase from the current 4.8% to 8%. [^] New Revenue \$669 million
Sales Tax Expansion	Expands the current state sales tax rate to include consumer services New Revenue \$1.5 billion*	Senate Bill 1484 does not include a provision for expansion of the sales tax base.	House Bill 755 does not include a provision for the expansion of the sales tax base.
Close Corporate Tax Loopholes	Eliminates numerous corporate tax credits and deductions New Revenue \$300 million*	Senate Bill 1484 does not include a provision for closing corporate tax loopholes.	House Bill 755 does not include a provision for closing corporate tax loopholes.

*All revenue estimates are from the Center for Tax and Budget Accountability and the Senate legislative analysis of bill.

¹ Differences between the revenue enhancements are due to the amount split with local governments.

² Differences between the revenue enhancements are due to the amount split with local governments.

[^] The income tax revenues generated in HB755 (Sen. Amend. 2) also creates \$190 million for the Local Government Distributive Fund.

Government Accountability

Senate Bill 750	Compromise Bill (House Bill 755, Amendment 2)
<p>1. Senate Bill 750 mandates that the General Assembly must appropriate funding each fiscal year to education. The amount must first start with the previous fiscal year's amount and then must be adjusted, at the minimum, by the annual rate of inflation as reflected in the Employment Cost Index from the U. S. Department of Labor.</p> <p>2. If the General Assembly fails to make the appropriate funds available to schools, the State Superintendent of Schools and the Attorney General of Illinois have the authority to demand the amount from the state and the State Comptroller must comply within 30 days of the demand.</p>	<p>1. House Bill 755, Senate Amendment 2 creates an Education Assistance Fund Board that consists of four members of the General Assembly. The members are chosen by the leaders of the General Assembly.</p> <p>Beginning in school year 2006-07, the board makes nonbinding recommendations to the General Assembly concerning the amount of appropriations to fund education. After 2006-07, the board will meet every two fiscal years to make recommendations.</p> <p>2. House Bill 755, Senate Amendment 2 also contains a provision that does not allow transfers of funds from the Education Assistance Fund, the School District Property Tax Relief Fund, the Higher Education Operating Assistance Fund, and the Income Tax Refund Fund to the states' General Revenue Fund.</p>