**State Education Funding 101**

In Illinois, taxpayers contribute to education funding primarily through local real estate taxes, while state tax revenues provide a relatively smaller share of total education funding. The chart below shows the distribution of federal, state, and local education revenue sources for Fiscal Year 2012:

![Graph showing funding sources for Fiscal Year 2012](image)

The P-12 education component represented 38 percent of the total Illinois state budget for this current year, Fiscal Year 2013.

After the General Assembly and Governor approve the P-12 portion of the state budget, the Illinois State Board of Education (ISBE) allocates these monies - about $6.5 Billion in FY13 – to local school districts. The majority of these funds, about 66 percent, are funneled directly to local districts through two state grants in the General State Aid (GSA) program; the GSA equalization formula grant and the GSA poverty grant.

Like many state programs, the GSA has not been fully funded in recent years, as the state has not appropriated the dollars necessary to fund district GSA
claim amounts. Over the past two years, the difference between GSA claims (the amount owed to districts per statute) and the GSA funds appropriated (the amount districts receive) has grown dramatically. In FY 12, appropriated funds fell $231 million short of the amount necessary to fund the claim. The result was that districts received 95 percent of the amount owed to them per statute. In FY 13, the situation grew worse, with appropriated funds falling $518 million short of the amount necessary to fully fund the GSA claim, resulting in payments at just 89 percent of the amount owed to districts. To see the analysis of FY2013 claims under full funding versus the prorated claims, visit: [http://www.isbe.net/budget/FY14/fy13-gsa-comparison.xlsx](http://www.isbe.net/budget/FY14/fy13-gsa-comparison.xlsx)

General State Aid Primer

The GSA grant is the most flexible state education funding, with payments going to districts two times each month according to the two grants.

The first, the **GSA formula grant**, uses an equalization formula to ensure that funding in each district meets a per-pupil “foundation level” that is set in statute, intended to represent the minimum amount necessary to provide a basic education for each student. The current statutory foundation level, unchanged since Fiscal Year 2010, is $6,119 per student. But in reality, due to proration, the effective Foundation level was $5,953 in Fiscal Year 2012 and $5,734 in Fiscal Year 2013.

At its most basic, the formula pays the difference between the foundation level and a district’s local resources per pupil. Given that every district has some amount of local wealth, no public school district receives the full $6,119 per pupil through GSA. In actuality, the state’s 862 districts are categorized into one of three types under the formula:

1. **Foundation Districts**: local wealth provides less than 93 percent of the foundation level per pupil. The GSA formula allocates enough money to bring district spending to at least 100 percent of the foundation level, or $6,119 per student. There are 620 foundation districts in FY 13 (72 percent of all districts).
2. **Alternate Formula Districts**: local wealth provides between 93 percent and 175 percent of the foundation level per pupil. The GSA formula allocates between 5 and 7 percent of the foundation level amount. There are 170 such districts in FY 13 (20 percent).
3. **Flat Grant Districts**: local wealth provides at least 175 percent of the foundation level per pupil. The GSA formula allocates a flat grant of $218 per student. There are 72 Flat grant districts in Fiscal Year 2013 (8 percent).

The second grant, the **GSA poverty grant** provides districts supplemental funding per low-income pupil, recognizing that districts face additional challenges in educating these students. Moreover, this curvilinear formula rises with the concentration of low-income pupils, ranging from $355 to $2,994 per low-income pupil. Low-income pupils are defined as those students who receive services from the Illinois Department of Human Services through one of four programs: Medicaid, the Children’s Health Insurance Program, TANF, or Food Stamps. Because the GSA poverty grant is not equalized, meaning it does not consider a district’s local wealth, even the wealthiest districts receive some amount of Poverty Grant funding.
In computing the final claim amount, both the GSA formula and poverty grants also take into account student attendance. The formula grant uses average daily attendance, while the poverty grant uses a 3-year average of DHS participation.

The property tax revenues assumed by the GSA are adjusted to account for a Property Tax Extension Limitation Law, known as PTELL, impacting 460 districts. In the majority of these districts (291 in Fiscal Year 2013), the Extension Limitation EAV is less than their actual EAV, resulting in a greater GSA formula payment.

For more details on the GSA formula, please visit: http://www.isbe.net/funding/pdf/gsa_overview.pdf

More Information about the education budget can be found at: http://www.isbe.net/budget/html/fy14-budget.htm Additional fact sheets, provided by the ISBE Division of Public Information, will be released throughout the spring of 2013.