



Evidence-Based Funding Independent – Comparable Wage Index Audit Finding

Frequently Asked Questions and Answers

March 10, 2023

1) What did the independent audit of the EBF formula and its implementation find?

ISBE contracted an independent audit firm to conduct a comprehensive review of the Evidence-Based Funding (EBF) formula calculations and implementation after the agency identified an enrollment coding error last year. The independent audit viewed over 200 data sources, tested over 39,000 data inputs, and performed over 50,000 recalculations – and found **no calculation errors**. The audit firm delivered its [final report](#) in December 2022 and issued **one finding** regarding implementation of a statutorily required update to the Comparable Wage Index (CWI) component of the formula.

2) What is the CWI and what is its role in the EBF formula?

The Comparable Wage Index was built into the EBF formula as a measure of regional variations in salaries. A district's initial adequacy target base is multiplied by the CWI regionalization factor to produce a district's final adequacy target. Information on how the CWI is used in the determination of each district's adequacy target can be found on the [ISBE website](#).

3) What is the nature of the issue?

Pursuant to the EBF statute, the 2013 Comparable Wage Index generated by Texas A&M University was required to be used for the initial EBF calculations when the law took effect. The law calls for the state superintendent to update the CWI with a similar methodology "in the fourth and subsequent years of Evidence-Based Funding implementation," which would have been in fiscal year 2022 (because tier funding was not appropriated in FY 2021). The Professional Review Panel (PRP) created a Recalibrate Committee and held discussions regarding the Comparable Wage Index in November and December 2020; however, the state superintendent did not make a redetermination on the required timeline.

4) What is the financial impact of changing the wage index?

There is no impact on the EBF payments to school districts or other organizational units at this time.

ISBE is aware of an experimental index called the Comparable Wage Index for Teachers generated by the National Center for Education Statistics, but it does not decisively have a "similar methodology" to the model currently being used. ISBE has conducted internal modeling with this index to develop an approximation of the fiscal impact so that the agency could begin conversations with the General Assembly. The modeling shows a potential shift of up to \$130 million in allocations in total across FY 2022 and FY 2023. ISBE urges caution about this figure. The current and experimental indices use different federal population data sets, different labor market variables, and different geographies to conduct their analyses. As such, it is unclear if the alternative index meets the requirement in statute to have a similar methodology.

5) What are possible resolutions to address the audit finding?

The state superintendent needs to determine if any wage indices exist that use a similar methodology to the 2013 Texas A&M CWI calculations and are viable for use in the EBF formula. If one exists, then the agency will examine the impact of that similar methodology on the adequacy targets of all school districts and organizational units that receive EBF. Ultimately, the index would be incorporated into the calculations for the adequacy targets for all school districts and organizational units retroactively to FY 2022 and FY 2023 (because no tier funds were provided in FY 2021).

If no alternative index exists that meets the statutory requirement, then the state superintendent is statutorily authorized to decide to continue using the current wage index – and thereby not impact the distribution of funding in prior years. Statute also authorizes the state superintendent to continue to redetermine the wage index at least once every five years. If this index does not meet the requirement in statute and no alternative index is found that does meet the requirement, there will be no impact to district funding in prior years.

6) How did the agency identify the issue?

The enrollment coding error identified in 2022 prompted the Illinois State Board of Education to hire an independent audit firm to review EBF to ensure all its calculations were accurate. The auditors did not issue any findings regarding the EBF calculations, but they did issue a finding regarding the requirement of the state superintendent to evaluate the Comparable Wage Index and issue a redetermination “in the fourth and subsequent years of Evidence-Based Funding implementation.”

7) What is the role of the PRP?

The EBF Professional Review Panel is the statutory advisory group tasked with studying and reviewing topics related to the implementation and effect of EBF. The PRP advises the state superintendent on issues related to implementation of EBF. It is ultimately the responsibility of the state superintendent to make a redetermination about the data used for the regionalization factor, per statute.

8) What is the agency doing to correct the audit finding?

The state superintendent has requested two expedited procurements:

- One procurement is to locate an external partner to assist ISBE in determining if an index exists with a “similar methodology” to the CWI.
- A second procurement is to conduct modeling of replacing the CWI with any index identified by the external experts, including, but not limited to, the Comparable Wage Index for Teachers (should it be identified as an appropriate index).

ISBE’s goal is for the scope of work to be completed this spring.

9) What protocols/procedures/safeguards has ISBE put in place to prevent future audit findings?

The state superintendent is committed to maintaining the fiscal integrity of the EBF formula. ISBE is partnering with the independent audit firm that performed the EBF audit to develop an EBF calculation process map to prevent future issues. Further, the state superintendent is committed to enhancing the capacity of the ISBE finance department.

10) Where can districts reach out for questions and more information?

Please send questions to ISBE at ebfcwi@isbe.net.