

Distribution Impact Committee: Status Report 12-15-20

Committee Members: Tianna Cervantez, Rebecca Hinze-Pifer, Gary Tipsord, and Ann Williams

Purpose of our Committee: To review and study issues regarding the distribution of Evidence-Based Funding as directed by 105 ILCS 5/18-8.15(i)

Key Definition: Equalized Assessed Value (EAV) is the assessment of the value of property within a given school district. This data point is used to determine the local capacity of a district for the purpose of calculations within the model.

2020-21 Focus of Study: Impact of 10% reduction in EAV

- October 27, 2020 Meeting
 - Current Statute
 - EAV used in the model is a 3-year average of EAV, unless the most recent year represents a 10% decrease compared to the 3-year average.
 - The Question
 - Should we use the 3-year average or the previous year when determining whether there was a 10% decrease?
 - Further Investigation Requested
 - How many districts are impacted if we were to use the previous year rather than the 3-year average?
 - What is the overall impact to the model, meaning how would districts be shifted in Tier designation?
 - How does PTELL impact the calculations within the model vs the actual tax extension for districts?
 - Given that we are likely to experience an economic downturn, will this issue be more pervasive in the next few years?
- November 24, 2020 Meeting
 - ISBE Team provided answers and modeling for the “further investigation” items listed above.
 - Model the impact of using the previous year rather than the 3-year average.
 - Review the mechanics of calculating EAV for PTELL districts.
 - Use 2006-2010 EAV’s to assess the impact of an economic downturn.
 - Results
 - 4 districts were impacted by the proposed change.
 - District A- Remained in Tier 1 but increased Tier Funding by \$254,582
 - District B- Moved from Tier 2 to Tier 1 and increased Tier Funding by \$212,476
 - District B- Remained in Tier 2 but lost Tier Funding of \$954 (this was unanticipated and warranted additional conversation)
 - District D- Remained in Tier 4 and had no impact to Tier Funding.
 - Concern raised: In a PTELL district, does the relationship between the property tax extension process and the calculation of EAV in the model actually create a scenario where such a district creates a benefit on both local capacity and the model distribution?

- The analysis of 2006-2010 revealed the likelihood that the issue related to the 10% decline would increase in probability. In 2006-07 there were no districts that experienced a 10% decrease in EAV, but by 2009-10 there were 26 districts that experienced a 10% decrease in EAV.

Consensus Theory

1. Compare the two most recent years of EAV and if the data shows a 10% or greater decline, use the lesser of the most recent year of EAV or the three-year average.
2. Consider a mechanism using the mechanics of the model to account for districts that see a substantial loss in Real Revenue as a result is a massive loss in EAV.
3. The impact of COVID and the resulting economic downturn is likely to increase the probability that we will need to use the 10% test.

Additional Considerations

1. Potential issue for further investigation
 - a. The relationship between the Real Receipts adjustment and the 10% test.
 - b. Consider the relevance of a 10% increase in EAV.
2. Proposed additional study topic
 - a. What is the equity implication for districts in the event of reduced funding for the model and how is that best addressed?

Next Steps: February 11, 2020

1. Should we recommend an adjustment to the 10% test?
2. What is that recommendation?
3. What are the implications as the change would related to equity in the model?