

## EDUCATION FUNDING ADVISORY BOARD

October 31, 2012

9:00 a.m. – 12:30 p.m.

Vtel Room

James R. Thompson Center

Chicago, Illinois

Vtel Room

Alzina Building

Springfield, Illinois

### Members Present

Ms. Sylvia Puente, Chair

Mr. Dean Clark

Ms. Cinda Klickna

Mr. Dan Montgomery

Dr. Sheila Harrison-Williams

### Members Absent

### ISBE Staff Present

Mr. Robert Wolfe

Mr. Jason Hall

Ms. Tami Pascoe

Ms. Mary Fergus

#### 1. WELCOME

2. **INTRODUCTIONS:** All Board members were present.

3. **ORGANIZATION OF THE BOARD AND BOARD RESPONSIBILITY:** Mr. Robert Wolfe gave the charge of EFAB from 105 Illinois School Code 5/18-8.05 Section M.

4. **MEETING CALENDAR AND PLANNING:** December 4, 2012 will be an all day meeting.

#### 5. **DISCUSSION OF ISBE GENERAL SCHOOL STATE FORMULA REVISIONS UNDER CONSIDERATION:**

Ms. Sylvia Puente stated that the last EFAB-recommended Foundation Level was \$8,360. This is the amount the state attempts to assure every district has in total state and local resources per pupil. The state has not been able to meet its statutory obligation of \$6,119 and is funding less than that amount. Ms. Puente noted that it takes a lot of work to run the adequacy model and wants to run a modification of the formula to put forth something that fulfills the board's statutory obligation. Mr. Jason Hall explained that the statutory foundation level is set at \$6,119 where it has been for several years. The General Assembly and the Governor have not approved appropriations sufficient to fully fund that amount. For the second year in a row we are prorating the General State Aid (GSA) claim. Last year's appropriations provided approximately 95% of the claim amount owed to each school district and entity in the GSA claim file. This year the state is paying approximately 89% of the claim amount to each district. If the claims continue to rise, the state will be paying even less if there is not a change to the statutory formulas. The question is should we stay within the current parameters. For example, should the calculations be performed as currently required by statute or should we make some change such as lowering the foundation level rather than prorating it? Should the state consider changes to the poverty grant, such as whether all districts should be eligible for the poverty grant? Should we modify how we calculate the Ptell adjustment?

Ms. Puente stated that the board should give some indication of what the EFAB recommended Foundation Level should be based on indexing the prior recommendation by an inflation factor. She also advised the board to think about making a recommendation around the funding levels for flat grant districts and potential changes to the poverty grant.

Mr. Hall stated that he proposes taking the most recent Foundation Level recommendation of EFAB, which was for FY12; and indexing that amount by two years of the Employment Cost Index (ECI) to produce the FY 14 recommended Foundation Level.

Ms. Cinda Klickna stated that she would like to assure that any document put forward indicates that the figure, even when updated by an inflation factor, is not sufficient to fully fund public education.

Mr. Dean Clark stated that if the board does what the charge states we are going to be recommending something that requires that the foundation level be increased by thousands of dollars and costs the state billions of dollars and thus becomes irrelevant. He stated that if we recommend something less than 89% of the current level we are not doing our job. Mr. Clark suggested coming up with three numbers with the top end number being soft. He said it should include the Augenblick & Myers number from their report and the past recommended Foundation Level updated by two years of the ECI and include a look at our current budget reality.

- 6. REVIEW OF EFAB RECOMMENDATIONS AND DRAFT REPORT OUTLINES:** Mr. Hall went over the handout entitled "How do we Redistribute Available Resources in an Equitable and Efficient Manner." Mr. Hall stated that there was a typo in the hand out that said there were 79 flat grant districts and that should be 72. Mr. Dan Montgomery asked how Jason arrived at the \$218 per pupil funding amount for the flat grant districts. Mr. Hall stated that the amount is listed in statute. Ms. Klickna asked how long that has been in place. Mr. Hall stated that it was implemented beginning in fiscal year 1999. Mr. Clark asked if the numbers that were being discussed were for the wealthier districts and Mr. Hall agreed, indicating that these are districts that possess more than 175% of the Foundation Level in local resources per pupil.

Ms. Puente stated that she thought the board must determine, as it moves through this process, whether EFAB also wants to address potential changes to the current statutory formulas in their report. Mr. Hall continued with the presentation. He stated that there has been double digit growth in the poverty grant during the past eight years. The growth in the poverty grant has been the driver in the growing cost of GSA claims for the past several years. Ms. Puente asked how much is being paid out. Mr. Hall said that 89% of each district's claim is being paid and those claims are the combination of a district's Equalization Formula Grant and Poverty Grant claim amounts. Ms. Puente asked what the dollar amount was and Mr. Hall stated he did not have that figure. Mr. Larry Joseph from Voices for Illinois Children said the total amount of the poverty grants paid out in FY13 was \$1.58 billion. Mr. Hall stated that every district receives the poverty grant and it is worth asking the question of whether every district should be eligible for that grant. Mr. Clark asked if Jason was suggesting going back to the way it was before the poverty grant was changed in FY04. He noted that in the past districts were assigned a dollar amount per low-income pupil based on % groupings. Mr. Hall said he did not believe we would recommend returning to that system as the payment amounts were based on specific bands of low-income student percentages and that decreased the predictability of funding for districts. Mr. Wolfe said that ISBE is looking at ways to redistribute the existing state money not save money. Mr. Montgomery asked if there was a way to get data on the way poverty grant funding per pupil is distributed. He asked specifically how many districts are in each of these percentages. Staff agreed to provide that data to the EFAB members.

Mr. Hall explained the Property Tax Extension Limitation Law (PTELL) adjustment and Equalized Assessed Valuation (EAV) portion of the handout. This included a discussion of the idea of imposing some minimum amount or a floor on the EAV used in GSA calculations for districts subject to PTELL. Ms. Puente asked if Chicago would have been receiving \$39 Million less than they are currently receiving with a PTELL floor. Mr. Hall said the district would have been eligible for \$39 Million less than they received in FY11 at the full claim amount if a 60% EAV floor had been imposed. Ms. Puente asked if they could be taxing themselves more and whether this related to local tax effort. Mr. Hall said they are taxing themselves at the rate they can according to the limiting rate. Ms. Klickna asked if Jason has ever performed a calculation of the amount of money that districts would have collected locally if the PTELL had not gone into effect. Mr. Hall said there was no way for him to do that because he would not know what the tax rates would have been had extension growth not been capped by the PTELL statute. Mr. Montgomery asked if there was a way to look at districts that could tax more than aren't. Mr. Hall said that they could compare the limiting rate, which is the maximum possible rate for all operating funds, in a district to their operating tax rate to see where there are differences between those two rates.

Mr. Hall stated that there were 460 PTELL districts and spoke about the Augenblick & Myers adequacy model. Ms. Klickna asked if the EFAB was bound by a fiduciary responsibility concerning their recommendations. Mr. Wolfe said the statutory requirements is that EFAB must recommend a foundation level and make recommendations in regards to the poverty grant based upon a model that considers the spending levels of high-achieving, low-spending schools, as described by staff. There are two ways of developing a recommended Foundation Level; updating the adequacy model and generating a Foundation Level based on those calculations or taking the last recommendation and indexing it for inflation. Ms. Puente said that in order to assure that EFAB is still in compliance with its statutory responsibility she would like an official determination from legal counsel. Mr. Clark noted that while EFAB has the authority to make recommendations about the Foundation Level and other changes to the formulas, it has no ability to enforce those recommendations.

7. **PUBLIC PARTICIPATION:** Mr. Ralph Martire with the Center for Tax and Budget Accountability, Ms. Cynthia Woods with the Illinois Association of School Boards, and Mr. Larry Joseph with Voices for Illinois Children all spoke about funding and provided copies of their written testimony. Those documents are attached.

Mr. Ben Boer with Advance Illinois spoke about funding. Ms. Peg Agnos with Legislative Education Network of DuPage County expressed her concern about lowering the Foundation Level in GSA. Ms. Erika Lindley with Ed-Red stated that she wanted the whole pie of state funding to be considered and not just one slice. Mr. Darryl Morrison with the Illinois Education Association stated that they would look at the four considerations listed in the handouts and provide testimony on those topics.

8. **NEXT MEETING AGENDA:** Adopt recommendation and decide if the Board wants to do a recommendation or a statement. Plan upcoming meeting dates; discuss contents of the report; look at the principles. Look at charts and graphs upgraded from the last report and make a statement of what the funding formula would be. Decide what kind of statement that the Board wants to make based on what it has heard.
9. **ADJOURNMENT**