

General State Aid Recommendations

**An Interim Report Submitted to the
Illinois General Assembly**

**by the
Education Funding Advisory Board**

March 2002

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The Illinois Education Funding Advisory Board was created by Public Act 90-548 in December of 1997. The Board currently consists of 5 voting members and 11 ex-officio members.

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The Education Funding Advisory Board respectfully submits the following recommendations to the General Assembly.

General State Aid, Hold Harmless and Continuing Appropriation

Recommendations 1, 2 and 3

The Board believes the implementation of the following recommendations will be sufficient to provide stability and needed funding to Illinois school districts for FY 2003.

- 1) **105 ILCS 5/18-8.05(B)** The recommendation for the FY 2003 foundation level is \$4,680.

- 2) **105 ILCS 5/18-8.05(J)** It is recommended that the General State Aid Hold Harmless should continue in its present form through FY 2003.

- 3) **105 ILCS 235/15** The continuing appropriation for General State Aid and Hold Harmless should be continued through FY 2003.

Poverty

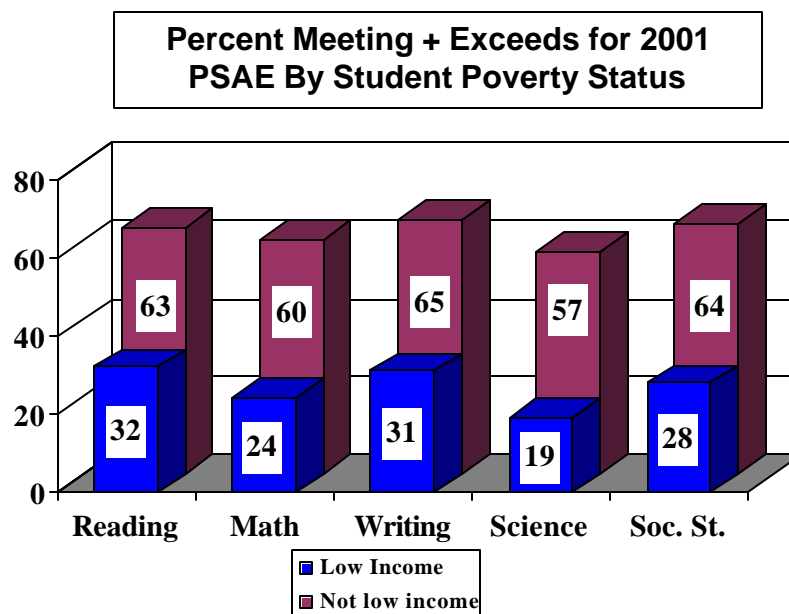
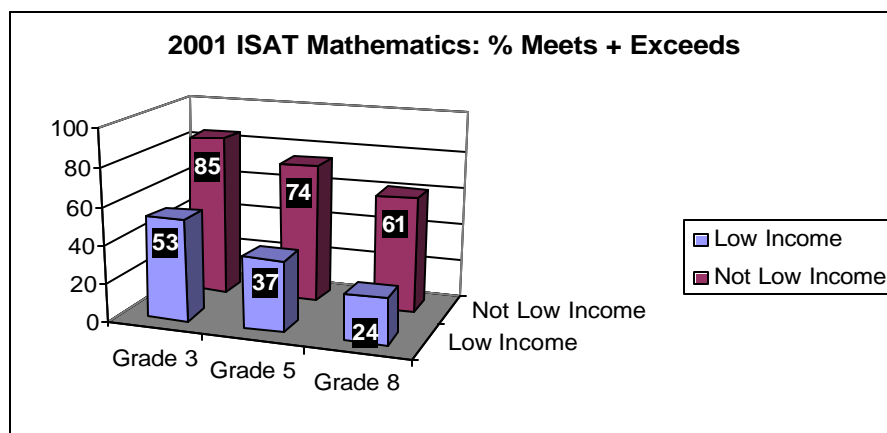
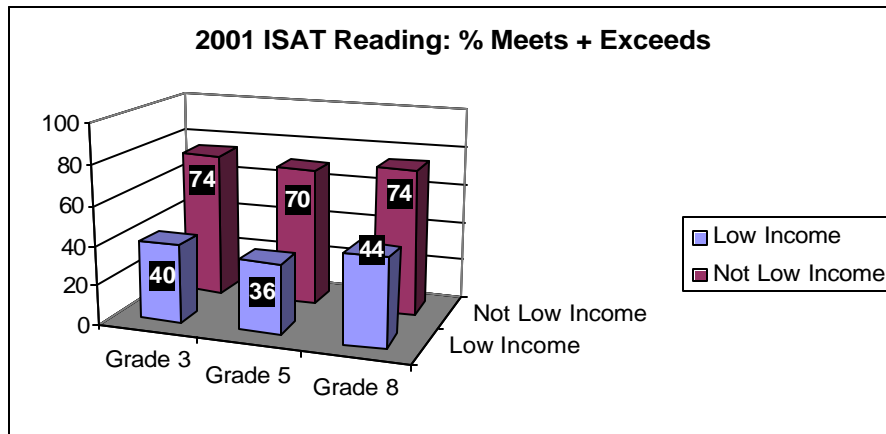
The following information is excerpted from the *Illinois State Board of Education 2001 Annual Report and Fiscal Year 2003 Proposed Budget (January 2002)*.

Research has consistently shown that variation in achievement is largely accounted for by poverty. Student achievement at each school level has a significant impact on later success. A child who hasn't learned to read by the end of the third grade may never be able to catch up and could have difficulty throughout his or her school career. A student who doesn't learn algebraic concepts in elementary school will probably not be able to meet the math standards for high school. A student who doesn't meet the Illinois Learning Standards by 11th grade will find it difficult to succeed in the workplace and in post-secondary school.

The consequences of failing to bring all students to a high level of achievement are significant. Fifty percent of Illinois welfare recipients are high school dropouts. Eighteen percent of community college students enroll in at least one remedial course. Thirty

percent of prisoners in the Illinois Department of Corrections institutions can't read at a 6th grade level.

Like most states in the nation, Illinois data show several disturbing achievement gaps, especially for low-income students. Nearly 70% of the variation in test scores can be attributed to income status. The following charts illustrate this fact.



In general, it costs more to educate students from low-income families because they are disadvantaged and at risk of academic failure. *Education Week* recently indicated that “students in poverty are estimated to need 1.2 times as much money (as other students do).”

However, the districts in which most low-income students live generally have fewer local resources. In fact, districts in Illinois that have low concentrations of poor students have approximately 1.5 times more EAV and property tax revenues than districts with high concentrations of poor students.

The poverty grant portion of the general state aid formula is therefore necessary to provide additional funding to meet the needs of these students. For that reason, it is imperative the count of children from low-income households be as timely and accurate as possible. It is generally agreed that the low-income count from the decennial census is neither. To that end the following recommendation is made regarding the measure of at-risk children and the poverty grant formula.

Recommendation 4

4) **105 ILCS 5/18-8.05(H)** The State should adopt the use of the count of children from low-income households receiving assistance through a Medicaid program (such as Temporary Assistance for Needy Families (TANF) and Kid Care) or Food Stamps as determined by the Department of Human Services (DHS) as the measure of poverty used in the calculation of the General State Aid (GSA) poverty grant.

The count should be updated annually. The count should be unduplicated and based on the July count of children ages 5 – 17 and used for GSA purposes in the subsequent year. For example, the July 2001 count should be used for the calculation of the poverty grant associated with FY 2003 general state aid.

The grant should provide a constant amount per student for all students in districts with a poverty concentration, defined as the ratio of the low-income count to the prior year average daily attendance of the district, of less than 15%.

For districts with concentrations of students greater than or equal to 15%, the formula should be curvilinear in nature. The formula should be continuous at the 15% concentration level. The formula should be:

If $DCR < .15$ then Poverty Grant = $\$355 \times DHS \text{ Count}$

Otherwise Poverty Grant = $(\$294.25 + \$2,700 \times DCR^2) \times DHS \text{ Count}$

Where $DCR = DHS \text{ Count} / ADA$

This formula will assure a minimum grant per student of \$355 and a maximum grant per student (for districts with 100% concentration) of \$2,994.25.

Districts must provide assurances, through rules promulgated by the State Board of Education, that the amount of dollars received through this grant are used for poverty related purposes.

For FY 2003,

The July 2001 DHS count should be used for the calculation of the poverty grant associated with FY 2003 general state aid.

The Education Funding Advisory Board is aware of the economic pressures currently facing the State. It therefore recommends that any poverty grant increases calculated using the DHS count and the formula described above be limited to 20%.

The Board also recognizes that a new count and formula will cause some districts to experience losses in the calculation of the poverty grant. It is therefore recommended no district receive a poverty grant in FY 2003 which is less than the poverty grant it received in FY 2002.

The Board recognizes that this recommendation will add approximately \$30 M to the State budget for FY 2003. It also recognizes that the 2000 Census (scheduled for release in November 2002), when available, would also likely increase the child count and therefore the cost to the State.

Summary

The Board recognizes the state budgetary pressures for FY 2003, and its recommendations reflect those pressures. These recommendations will continue to provide additional funding through a foundation level increase above minimum levels, a more timely and accurate measure of poverty and a poverty formula which recognizes the higher costs associated with higher concentrations of poverty. The reliance on hold harmless funding will continue for one more year.

The methodology provided in the report by Augenblick and Myers will be incorporated in future recommendations. It is anticipated that significant reform recommendations will be forthcoming in the Summer of 2002, to be included in our report of January 2003 as required by Illinois law. The Board looks forward to continuing its work with the Governor and General Assembly and will comply with the Governor's request to offer its recommendations regarding General State Aid and poverty for FY 2003 in the near future.