

Illinois Education Funding Recommendations

**A Report Submitted to the
Illinois General Assembly**

**by the
Education Funding Advisory Board**

January 2011

General State Aid Recommendations

A Report to the Illinois General Assembly

History of the Board

Public Act 90-548 created the Illinois Education Funding Advisory Board (EFAB) in December of 1997. Members are to include representatives of education, business, and the general public and their terms are limited to four years. The statutory requirements for EFAB as codified in 105 ILCS 5/18-8.05 state that EFAB, "in consultation with the State Board of Education (ISBE), shall make recommendations... to the General Assembly for the foundation level ...and for the supplemental general State aid grant level ... for districts with high concentrations of children from poverty. The recommended foundation level shall be determined based on a methodology which incorporates the basic education expenditures of low-spending schools exhibiting high academic performance."

The first EFAB report was issued in January, 2001 and was used to inform the FY 2002 ISBE budget request. This report recommended a \$135 increase in the General State Aid (GSA) Foundation Level (FLevel) to \$4,560. It also recommended using the maximum of the three-year average or prior year Average daily Attendance (ADA) to calculate GSA, lowering the poverty threshold to 15% for the calculation of Supplemental GSA, and enacting a continuing appropriation for GSA and Supplemental GSA. Consistent with this recommendation, the FLevel was set to \$4,560 in FY 2002. The complete 2001 report, including their recommendations for the poverty grant formula can be found at http://www.isbe.net/EFAB/html/Report_012001.htm.

An interim report was issued by EFAB in March, 2002 to inform the FY 2003 ISBE budget request. This report recommended an increase in the GSA FLevel to \$4,680. It also recommended enacting a continuing appropriation for GSA and Supplemental GSA. Neither of these recommendations was enacted for FY 2003. The complete 2002 interim report can be found at <http://www.isbe.net/efab/archive/PDFs/InterimReport0302.pdf>

EFAB issued a comprehensive report in October, 2002 to inform the FY 2004 ISBE budget request. This report recommended an increase in the GSA FLevel to \$5,665, which was not enacted. Two EFAB recommendations related to Supplemental GSA, however, were enacted. The first recommended using the Department of Human Services (DHS) poverty count rather than census data to determine districts' low-income concentration and the second recommended lowering the poverty threshold to a single student and using curvilinear values based on the poverty concentration to determine districts' Supplemental GSA. The complete October 2002 report can be found at <http://www.isbe.net/efab/archive/PDFs/FinalReport1002.pdf>

Due to resignations and term limitations, EFAB did not provide a report to inform the FY 2005 ISBE budget request, but the five-member Board was reactivated by Governor Blagojevich in March 2005. In the report issued in May 2005, EFAB recommended that the FLevel be set at \$6,405 for FY 2006. It also recommended that the methodology used by EFAB, including the curvilinear equation used to determine Supplemental GSA, be adjusted annually by the Employment Cost Index (ECI). It also recommended enacting continuing appropriation for GSA and Supplemental GSA. None of these recommendations were enacted for FY 2006. The complete May 2005 report can be found at http://www.isbe.net/efab/pdf/final_report_4-05.pdf

EFAB did not meet again until it was reconstituted by Governor Quinn in the spring of 2009. The new five-member board consists of the members listed below and began meeting in August, 2009.

Education Funding Advisory Board Members

Ms. Sylvia Puente, Chair
Executive Director, Latino Policy Forum

Members

Mr. Dean Clark
President
Graphic Chemical and Ink Co.

Mr. Arthur Culver
Superintendent
Champaign Unit District 4

Mr. Ed Geppert Jr.
President
Illinois Federation of Teachers

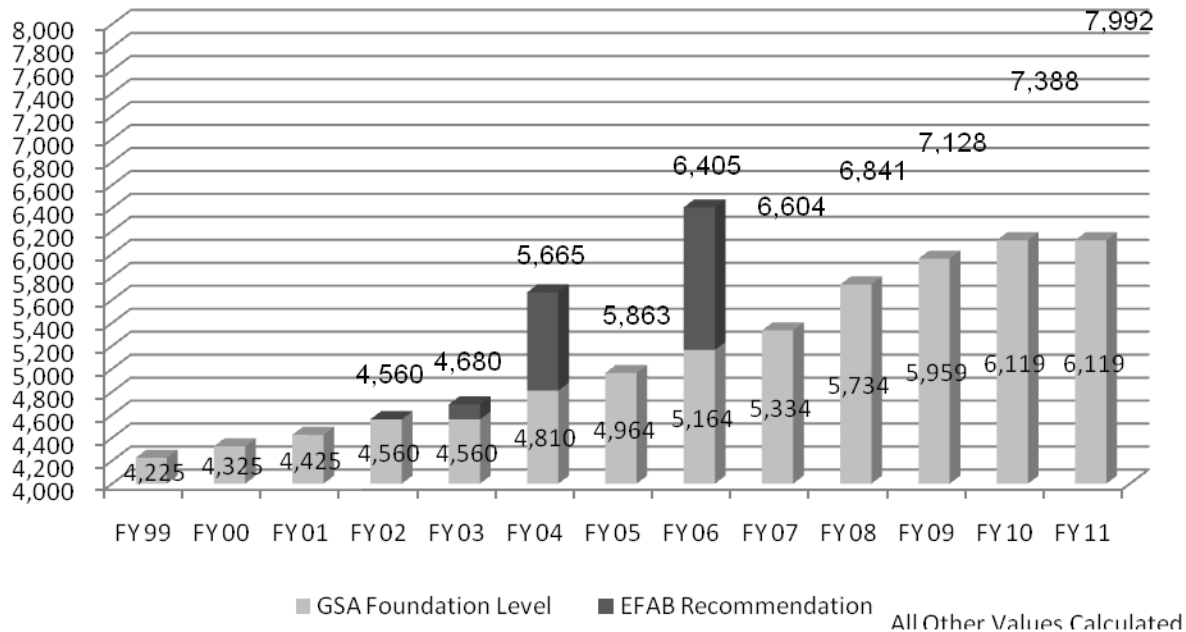
Mr. Ken Swanson
President
Illinois Education Association

Mission of the Board

The mission of EFAB is to make recommendations to the General Assembly for the FLevel and for the Supplemental GSA grant level. The FLevel represents the minimum level of per pupil financial support that should be available from state and local resources to provide for the basic education of each pupil. In addition to the FLevel, Supplemental GSA is provided to districts with concentrated levels of children from low-income households. GSA is the largest state funding provided to the 867 school districts statewide. The methodology used in creating EFAB-recommended funding levels was created by Augenblick and Myers of Denver, Colorado in 2001 and is based on high performing, low spending schools, and utilizes a number of district variables, including assessment, finances and demographics. The Augenblick and Myers report can be found at www.isbe.net/EFAB/archive/PDFs/fullreport.pdf.

The following chart displays the foundation levels since the inception of the new GSA formula in Fiscal Year 1999, the first year the foundation formula was used. EFAB was first constituted in FY 2002, when its recommendation of \$4,560 was endorsed by the General Assembly and Governor. EFAB was also constituted to inform the FY 2003, FY 2004, and FY 2006 Foundation Levels, though none of these recommendations was adopted through the legislative process. The FY 2005, FY 2007, FY 2008, and FY 2009 EFAB levels shown in the chart were calculated by inflating the previous year's figure by the ECI. The FY 2010 and FY 2011 figures shown were obtained by updating the Augenblick and Myers (A&M) methodology approved by the most recent EFAB.

History of GSA Foundation Level



Efforts of the Current Board

As dictated by statute, the Board is to prepare a recommendation to the General Assembly for FY 2012 foundation level and poverty grant amounts. The Board held an introductory meeting on August 13, 2009 when a review of the Illinois funding system was presented to the members. Major topics of the presentation were a history of EFAB, the EFAB adequacy methodology, district funding, including an emphasis on GSA, per pupil analyses and past school funding reform.

The Board met on October 7, 2009 to clarify and review components of the A&M Adequacy Model and the criteria used to select successful and efficient schools. The Center for Tax and Budget Accountability also made a presentation to the Board which focused on the revenue structure used to fund public education, and some of the unintended outcomes of Illinois' present tax structure. Advance Illinois also made a presentation to the Board which also discussed the present structure used to fund Illinois schools and provided a history of EFAB. This presentation also identified four issues for the present EFAB to address, which were Transparency and Measures, Inflation Index, Property Tax Relief and the "Hold Harmless" Provision, and Special Education.

The Board met on December 22, 2009 to discuss methodologies used in other states. Staff also presented the results of an analysis which calculated what the Foundation Level would be for FY 2011 if the methodology approved by the 2006 EFAB was updated using the most recent figures. This analysis showed that the EFAB-recommended level would have been \$7,992 using the 2006 EFAB parameters.

Public input was garnered at the February 10, 2010 meeting. Better Funding for Better Schools, which included The Center for Tax and Budget Accountability, The Johnny Appleseed Fund for Justice, The Chicago Urban League, The Illinois Association of School Boards, The Illinois PTA, and The League of Women Voters made a presentation to the Board which discussed whether it was better to present a full needs budget or budget which could realistically be funded. Better Funding for Better Schools also spoke and reviewed the value of a \$1,000 increase in the per pupil expenditure and the impact that might have on an individual district. The Illinois Association of School Business Officials made a presentation which indicated that there was a misconception that school districts actually received the entire amount of the current \$6,119. Illinois Education Association stated that a sustainable and reliable funding source for

education is essential to adequately fund schools, expressed concern over escalating school violence and mobility rates as affecting learning, advocated for the hold harmless, described disparities in teacher pay, and reiterated that the state needed to find a source to restore the \$1 billion loss with the end of the federal stimulus funding. Voices for Illinois Children indicated that state funding per pupil for elementary and secondary education in Illinois is 32% below the national average, and although GSA is designed to mitigate disparities across school districts the ranges in property wealth are so great that the overall impact is limited. Voices for Illinois Children also urged EFAB to recommend full funding for the poverty grant and to examine the practice of prorating the poverty portion of GSA when the appropriation was insufficient to pay all claims, and stated that to effectively fund education would require raising more than just the foundation level.

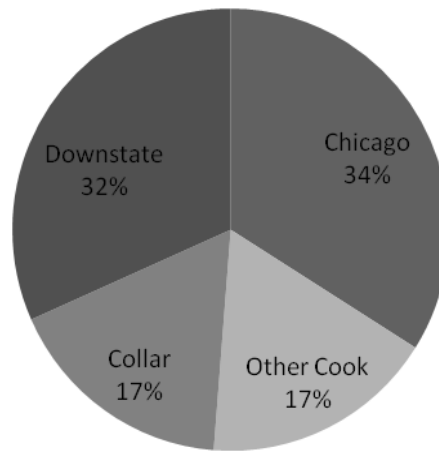
At the April 28, 2010 meeting, the history of Supplemental GSA (Poverty Grant) was discussed in additional detail. The distribution of low-income students and the poverty grant for FY 2009 through FY 2011 are shown in the table below. Although all regions showed an increase in the number of low-income students, the greatest proportional increases were experienced in the Collar counties (44.8%) and in Cook county outside of Chicago (30.2%).

Illinois State Board of Education
Distribution of Low-Income Students and Poverty Grant by Geographic Region
FY 2009 – FY 2011
(Dollars in Millions)

Geographic Region	FY 2009		FY 2010		FY 2011		Change FY09-FY11	
	Low-Income Population	Poverty Grant	Low-Income Population	Poverty Grant	Low-Income Population	Poverty Grant	Number	Percent
Chicago	266,794	\$496.6	281,329	\$581.6	296,940	\$667.0	30,146	11.3%
Other Cook	116,200	\$121.5	131,508	\$156.2	151,244	\$211.8	35,044	30.2%
Collar	103,273	\$69.0	124,267	\$98.3	149,535	\$144.0	46,262	44.8%
Downstate	<u>239,888</u>	<u>\$254.3</u>	<u>257,285</u>	<u>\$283.1</u>	<u>276,815</u>	<u>\$326.2</u>	<u>36,927</u>	<u>15.4%</u>
Total	726,155	\$941.4	794,389	\$1,119.2	874,534	\$1,349.0	148,379	20.4%

The distribution of low-income students in FY 2011 is shown in the chart on the following page.

Distribution of Low-Income Students FY 2011



One topic discussed related to the Supplemental Poverty Grant was the proration of GSA. At that time, any proration to GSA payments needed due to a shortfall in appropriated funds was applied solely to the Supplemental Poverty Grant. The Board strongly agreed that this practice should be changed. As a result, Chairperson Puente communicated the Board's position on the Supplemental Poverty Grant proration to both Jesse Ruiz, Chairman of the Illinois State Board of Education and to Dr. Christopher Koch, State Superintendent. Through these and other efforts, PA 096-0959 was passed during the 2010 legislative session and became effective July 1, 2010. It changed this practice so that any proration would be calculated based on total gross GSA.

Also at the April meeting, ED-RED, LEND, LUDA, and SCOPE made a joint presentation to the Board. They indicated that the funding model should be long-range, realistic, and multi-year. It should be based on a stable tax system, focused and limited to public schools. Regarding GSA, they indicated that a continuing appropriation should be enacted with most of the dollars available going to GSA because it allows the most flexibility for local systems. Future increases should be based on the Employment Cost Index. All mandates should be fully funded.

Based on the volume of comments received from stakeholders, it was also determined that subcommittees would be convened to take a more in-depth look at some of the issues surrounding GSA. The subcommittees met on June 8, July 1, July 20, with sub-groups of these committees also meeting several times between these dates. They presented their preliminary results to the Board at its meeting on August 10. The three broad issues upon which the subcommittees focused their analysis are summarized below.

1. The impact the Property Tax Extension Limitation Law (PTELL) has on GSA, and how actual tax rates and local resources compare to assumed tax rates and local resources in GSA calculations;
2. Comparison of Augenblick and Myers Successful School Adequacy Model to National-Louis Evidence-Based Adequacy Model, and

3. The measures used to determine Supplemental GSA (Poverty Grant) including the weighting of students and the calculation used to distribute the Poverty Grant to districts.

The subcommittees met again September 1, and October 5. At the meetings, the subcommittees discussed whether the impact of English Language Learners (ELL), Response to Intervention (RtI), and other categorical funding could be considered in the GSA calculation. It was decided that consideration of these programs in GSA could result in additional layers of complexity in the GSA calculation, and at this time, it would be better for these programs to continue to receive funding through separate line items in the ISBE budget.

EFAB met on September 22 and drafted four Guiding Principles to be used when considering and developing recommendations. While discussing these guiding principles, the Board members agreed that they should have relatively few and simple principles on how to most positively affect children. They discussed using this report as a vehicle to promote greater understanding and transparency related to the GSA formula. The Board understood that some advocacy groups would want to include provisions in the formula to address adequately funding mandates, but conceded that it would be difficult to account for every mandate in the formula without it becoming exceedingly complex. The Board expressed a belief that the formula used to determine GSA levels should be based on solid research and/or best practices and should be revisited every three years.

The Board felt it was important for readers of the report to understand that the Foundation Level determined by the formula is comprised of a **combination of both** state and local resources with local resources being determined by the amount of local property wealth and corporate personal property replacement tax revenue available to each district. At this point in time, it does not consider other resources available to a district such as federal funding. Thus, under the formula, the only way a school district or local education agency receives the entire FLevel amount from the state is if they have no local wealth. This means that only 73 ROE programs and 2 lab schools receive the full FLevel, while other districts receive an amount of state funding intended to allow them to meet the FLevel through a combination of state and local resources. The distribution of GSA according to amounts per pupil is shown in the table on the following page.

Illinois State Board of Education

Final Fiscal Year 2011 General State Aid Categories of the State Portion of the GSA Foundation Level (\$6,119)

Category	Number of Districts	FY 11 GSA Formula Amounts	Pupils	Low-Income Percentage
ROEs & Labs (\$6,119)	75	\$37,206,212	6,080	NA
\$6,100 - \$6,119	0	0	0	0.0%
\$5,000 - \$6,000	6	\$53,852,495	10,241	90.9%
\$4,500 - \$5,000	49	\$228,546,686	48,572	72.9%
\$4,000 - \$4,500	61	\$269,517,569	64,778	63.0%
\$3,500 - \$4,000	104	\$403,845,892	107,958	54.6%
\$3,000 - \$3,500	92	\$390,603,381	121,174	51.3%
\$2,500 - \$3,000	89	\$292,771,424	106,733	43.5%
\$2,000 - \$2,500	79	\$381,980,292	172,831	33.9%
\$1,500 - \$2,000	68	\$245,826,974	140,007	46.7%
\$1,000 - \$1,500	38	\$623,087,165	470,370	71.3%
\$428.34 - \$1,000	53	\$103,825,348	149,759	22.7%
Alternate Method	161	\$161,334,742	418,576	26.0%
Flat Grant	67	\$21,058,776	96,600	19.6%
TOTALS	942	\$3,213,456,956	1,913,679	45.7%

The Board also spent a great deal of time discussing funding disparities between districts. As an equalization formula, the state is trying to equalize approximately \$13 billion in local revenue using approximately \$4.6 billion in GSA. It would be impossible for the state to provide the same per pupil expenditure for every student. Given this reality, the Board decided to focus on functional equity because they wanted to support raising the minimum level of investment, but not limit local districts' effort. The FLevel represents this minimum level of investment.

At the December 8, 2010 meeting, the Board reviewed information related to school consolidation. After reviewing the data, the Board felt there was not compelling evidence linking academic performance to the size of the school district. Given the amount of additional revenue which may be required to fund EFAB recommendations, the Board thought it may be advantageous to examine consolidation as a means of

creating economies of scale. The Board determined that size should not be the only parameter used when evaluating the benefits of district consolidation.

Ultimately, the Board agreed upon four Guiding Principles to adequately fund equitable educational opportunity in Illinois. The Board also noted that the definition of adequate GSA can fluctuate if other categoricals are not sufficiently funded and that the payment delays currently being experienced by districts also created costs for districts which could affect the definition of adequate. EFAB's four Guiding Principles are as follows:

1. Ensure the foundation level is sufficient to provide a comprehensive, high-quality education that prepares every student in Illinois to flourish in a global society.
2. Guarantee that the state share of public school funding provides a reliable, predictable, timely, and adequate funding stream.
3. Ensure that categorical and other targeted funds (including, but not limited to poverty grants, special education, transportation, English language learning, and Early Childhood Education) are sustained year to year and are sufficient to meet the needs of students.
4. Eliminate the gap of real educational opportunities for all students in Illinois by reducing funding disparities to establish functional equity.

Recommendations of the Education Funding Advisory Board

The Board respectfully submits the following recommendations to the General Assembly.

- 1) **Consistent with PA 90-548, EFAB bases its current recommendation on a methodology which incorporates the basic education expenditures of low-spending schools exhibiting high academic performance. It is recommended that the methodology used by the Education Funding Advisory Board to inform the FY2012 budget process continue to be based on the parameters in the Augenblick & Myers successful and efficient school adequacy model approved by the last EFAB. The recommendation for the FY 2012 General State Aid Foundation Level is \$8,360.**

The criteria are as follows:

- i.) Districts that are grouped around the mean poverty rate by district type. For Elementary and Unit districts, this is 1/2 standard deviation from the mean. For High School districts, this is one standard deviation.
 - ii.) Successful districts are those with 67% or better of students meeting or exceeding test standards.
 - iii.) Efficient districts are those where the actual Operating Expenses Per Pupil (OEPP) is less than the predicted OEPP produced by a regression of education factors.
 - iv.) The Regional Cost Index (RCI) in the current adequacy model is the McMahon Index, which has not been updated for some time.
- 2) **The recommendation for the FY 2012 Supplemental General State Aid Poverty Grant, which is based upon the percentage of low-income students in a district, is to adjust the per pupil range by the Employment Cost Index (ECI) in each year since the formula was established in FY 2004. The result is that the formula would change from a minimum of \$355 per pupil, to \$471.98 at the fifteen percent low-income student ratio; and the maximum possible**

grants per pupil would increase from \$2,994.25 to \$3,980.88. The estimated cost of this recommendation is \$441.2 million.

3) Continued study of elements of the formula based on the work of the subcommittees.

EFAB has identified a number of areas where further research is needed and believes that there are opportunities to further review the methodology used to determine adequate funding levels for Illinois districts. ISBE provides administrative staff assistance to support to EFAB, but lacks resources to devote to additional research that would be needed to revise the EFAB calculation methodology. Additional funding would be needed. Originally, the Augenblick & Myers study that became the basis for the EFAB foundation level calculation methodology was funded through the Illinois Department of Revenue. This study was completed in June, 2001—nearly 10 years ago. It is difficult to estimate the current year cost of a rigorous study. Should a different method other than the “successful school” model be considered of preparing a foundation level recommendation, the enabling legislation defining EFAB’s responsibilities would also need to be changed.

EFAB would propose that additional study be focused in the following areas.

- **The Impact of the PTELL adjustment**

The cost of the PTELL adjustment and how due to the amount of local revenues lost over the past decade, the cost of the PTELL adjustment has increased substantially. In FY 2000 the cost was \$46 million. The cost of the adjustment peaked at \$805 million in FY2008 and declined to \$680 million in FY 2011. This cost, coupled with additional GSA dedicated to poverty grant funds, leaves very little remaining to increase the foundation level. If, however, the PTELL adjustment was eliminated, local resources for districts subject to PTELL would be overstated in GSA calculations and state aid payments would be reduced. In order to maintain the same level of investment for their students, these districts would have to seek limiting rate increases and raise additional local funds.

- **A Definition of a Successful School or School District**

Presently, districts levy taxes and local resources are measured at the district level, thus it is not possible to measure local contributions at the school level. Also, the EFAB methodology identifies districts with 67% of students meeting or exceeding standards as “successful.” The goal for Adequate Yearly Progress (AYP) for No Child Left Behind (NCLB) in 2009 was 70%; this escalated to 77.5% in 2010, and 85% in 2011. It is scheduled to be 92.5% in 2012 and 2013 and 100% in 2014. Presently, 100 out of 395 Unit districts (25.3%), 78 out of 376 elementary districts (20.7%), and 4 out of 102 high school districts (3.9%) meet the EFAB parameters. Using the AYP goals in NCLB would likely result in fewer districts meeting the parameters.

- **Measuring and Addressing Poverty**

Regardless of the measure used, EFAB believes that too many children in Illinois are growing up in poverty. The Department of Human Services (DHS) low-income count has grown by more than 86% from 508,598 in 2001 to 946,534 in 2009. In 2009, Illinois had approximately 2 million students, so nearly half of these students are considered low income. Despite the billions of dollars invested in education, human services and other priorities the past several decades, poverty continues to grow. With such growth additional funding for poverty may be needed to fund education in Illinois. EFAB has provided some interim recommendations needed to address the shortcomings in the short-term future, but strongly believes major changes are required to eliminate the gap of real educational opportunities for all students in Illinois by reducing funding disparities to establish functional equity.

CONCLUSION

EFAB has created a recommendation based on its current statutory charge. However, it is the opinion of the Board that a comprehensive and rigorous review of the current adequacy model needs to occur. The current methodology is nearly ten years old and requires review and analysis.

The members of the EFAB are not unmindful of the current circumstances in which the state of Illinois finds itself. The Board understands the state is facing an historic short term budget deficit and some daunting long term budget challenges. However, it believes it is our responsibility to bring forth recommendations which are consistent with its charge and serve to provide credible numbers that truly represent what it believes is necessary to provide the resources required to provide every student in every Illinois public school access to a quality education. The Board acknowledges reaching the goals included in this report will require great effort and may take multiple years to achieve. However, the Board believes the goals must be set without compromise and the politicians, policymakers, and citizens of the state bear the responsibility to find the will and the means to achieve the goals.

Just as the Board recognizes it may require a multiyear effort to reach the funding level being recommended, the Board also finds there is more work for this body to do that is of a longer term nature. More time, more study, and adequate resources and support from the State Board of Education are necessary, the Board believes, for EFAB to best serve the state in the next few years by undertaking the longer term work it has identified as being worthy of EFAB beyond the submission of this report. The Board sincerely hopes those reading this report will agree with its recommendations and support EFAB in undertaking this work.

Finally, the Board wishes to express its sincere gratitude to those ISBE staff who have done yeoman's work in making it possible to complete this report. They have been nothing short of fantastic and have accomplished the daunting amount of work required with often short timelines between meetings in which to have everything ready. The Board also thanks those who provided data and expertise from outside ISBE to assist in its work. It was heartening to experience the commitment shown by many individuals and organizations that both testified and contributed to the writing of the appendices.

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Appendices--Education Funding Advisory Subcommittees and Working Groups

As noted, subcommittees were formed to assist EFAB and to examine the General State Aid calculation in detail. Again, EFAB extends its appreciation for the work and expertise of the subcommittees and stakeholders. The subcommittee and working group contributions are available as the appendices to the EFAB report. A listing of the appendices is provided below. They can be viewed by accessing this report on the internet and using the respective web hyperlinks below.

[Appendix I:](#) Participants in the EFAB Subcommittees and Working Groups

[Appendix II:](#) Review of Tax Rates and PTELL Adjustment

[Appendix III:](#) Review of the Augenblick & Myers Adequacy Model

[Appendix IV:](#) Development of an Alternate Evidence-Based Adequacy Model

[Appendix V:](#) Review of the Supplemental Poverty Formula and Alternatives