ILLINOIS SENATE EDUCATION FUNDING ADVISORY COMMITTEE

Proviso Math and Science Academy
8601 Roosevelt Park, Forest Park
Monday, December 2
Time: 12:30 – 4:30 p.m.

12:30 p.m.	**Welcome:** Superintendent Dr. Nettie Collins-Hart
	Opening Remarks: Committee Co-Chairs and Superintendent Koch
12:40 p.m.	**Presentations from Stakeholders**
	Catherine M. Finger, Ed.D., Superintendent, Grayslake School District 127 Illinois Math and Science Academy Students Ralph Martire, Center for Tax and Budget Accountability Michelle Turner Mangan, Concordia University Ted Dabrowski, Illinois Policy Institute Brent Clark, IASA, Mike Jacoby, IASBO; School Management Alliance Robin Steans, Advance Illinois
NEXT MEETING	**Tuesday, December 17,** 12:30 – 4:30 pm, Springfield
	Tuesday, January 7, 1:00 – 4:30 pm, Waterloo High School, 505 E. Bulldog Blvd., Waterloo

Grayslake Community High School
District 127

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December 2, 2013

Esteemed Members of the Senate Education Funding Advisory Committee:

Good afternoon. My name is Catherine Finger and I have had the great pleasure of serving as Superintendent of Grayslake Community High School District 127 for the past nine years. Thank you for giving me this opportunity to share my thinking with you as you struggle through the labyrinth of equitable funding in education.

That there is a great need for equity has already been stated and proven as you've researched current and past affairs of the state as it relates to funding and public schools. My heart is torn at the immorality of one child waking up full of promise, dreams and unbridled educational opportunities while another wakes up full of the same promise and dreams and yet finds himself denied equitable educational opportunities just by virtue of his zip code. I share your concerns about the severe lack of equity evidenced throughout our state within the public school setting.

What I do not share is your conviction that now is the time to address this lack of equity in school funding—and I say that with much trepidation. There is much that is broken throughout our state financially. To address this one very significant piece of the financial puzzle without also addressing the others could prove disastrous to local schools in my opinion.

Very likely any adjustment to the school funding formula would decrease state aid to some districts while increasing state aid to others. On the surface this idea seems good and just and fair. Yet a deeper look into how this would impact individual districts—districts like mine—keeps me up at night.

Grayslake Community High School District 127 will receive approximately $4.8 million in GSA in FY14 out of an estimated $44 million budget. This includes the loss of approximately $600,000 in GSA as a result of the 89% proration this year. Additional state revenue projections include $1.1 million in SPED (compared to expenditures of $5.8 million) and $1.3 million in Transportation (compared to expenditures of $2.8 million). Over the past several years like other districts, we have reduced spending and continued to honor our commitment to balance the District budget every year.

In D127 as in Lake County overall, we like to be part of both identifying and solving complex problems. We work hard to prepare ourselves for an uncertain financial future while also doing our best to provide both representation and relief for our taxpayers. We have created collaborative working groups to explore and implement shared services where feasible. We convene intergovernmental groups of community leaders to examine both issues and generate ideas to problem solve together. We work together to create incentives to proactively attract businesses to relocate in our districts. We consider issuing tax abatements in our own districts. We are working with Senator Bush on pursuing new legislation that would allow districts to separate out new construction from a District's EAV--thus not forcing school boards to choose from "ballooning the levy" or losing out on revenue from new growth.

The current school funding formula may indeed be broken—but it does lend predictability to the annual budgeting process. There is a great deal of uncertainty before us, including: the pension crisis and the likely cost shift; the impact of the Affordable Care Act; potential changes to PTELL. Each of these items will have a tremendous negative impact on local school budgets at a time when schools can scarce afford to lose another penny.

While addressing the inequities in the school funding formula is indeed vital, my wish for you and your work is that you learn and generate ideas-but that you don't yet act. Please take into consideration all of the economic factors impacting local school budgets. Solving one piece of the puzzle by enacting funding formula reform without addressing the other significant factors could create greater inequities as an unintended consequence.

Please continue your noble quest to create a funding formula that serves every student in Illinois, yet please proceed with wisdom and caution.

Thank you.

Dr. Catherine M. Finger
Superintendent of Schools
Grayslake Community High School
District 127

K-12 Funding

Illinois Mathematics and Science Academy

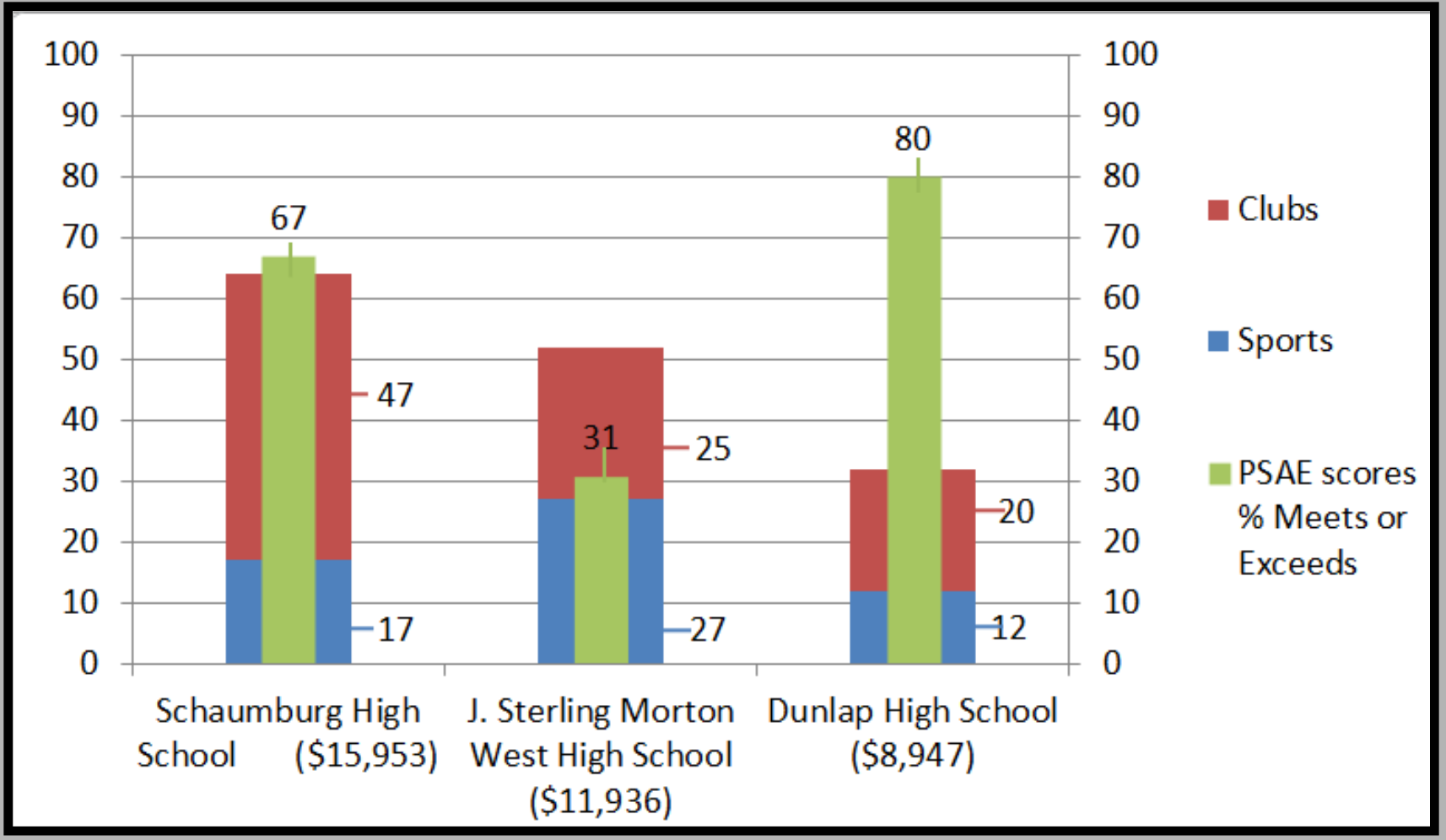
Nahee Park (Peoria)
Kent Gang (Vernon Hills)
Kevin Li (Hoffman Estates)
Vinesh Kannan (Schaumburg)
Amanda Walsh (LaGrange)
Priya Trivedi (Naperville)
Estefany Guzman (Berwyn)
Elijah Jimenez (Springfield)

Although the data suggests that there is a correlation between operational spending and academic and extracurricular opportunities, numbers fail to reflect the accessibility and depth of these programs.

DUNLAP HIGH SCHOOL

Dunlap High School

Total Enrollment: 1,238



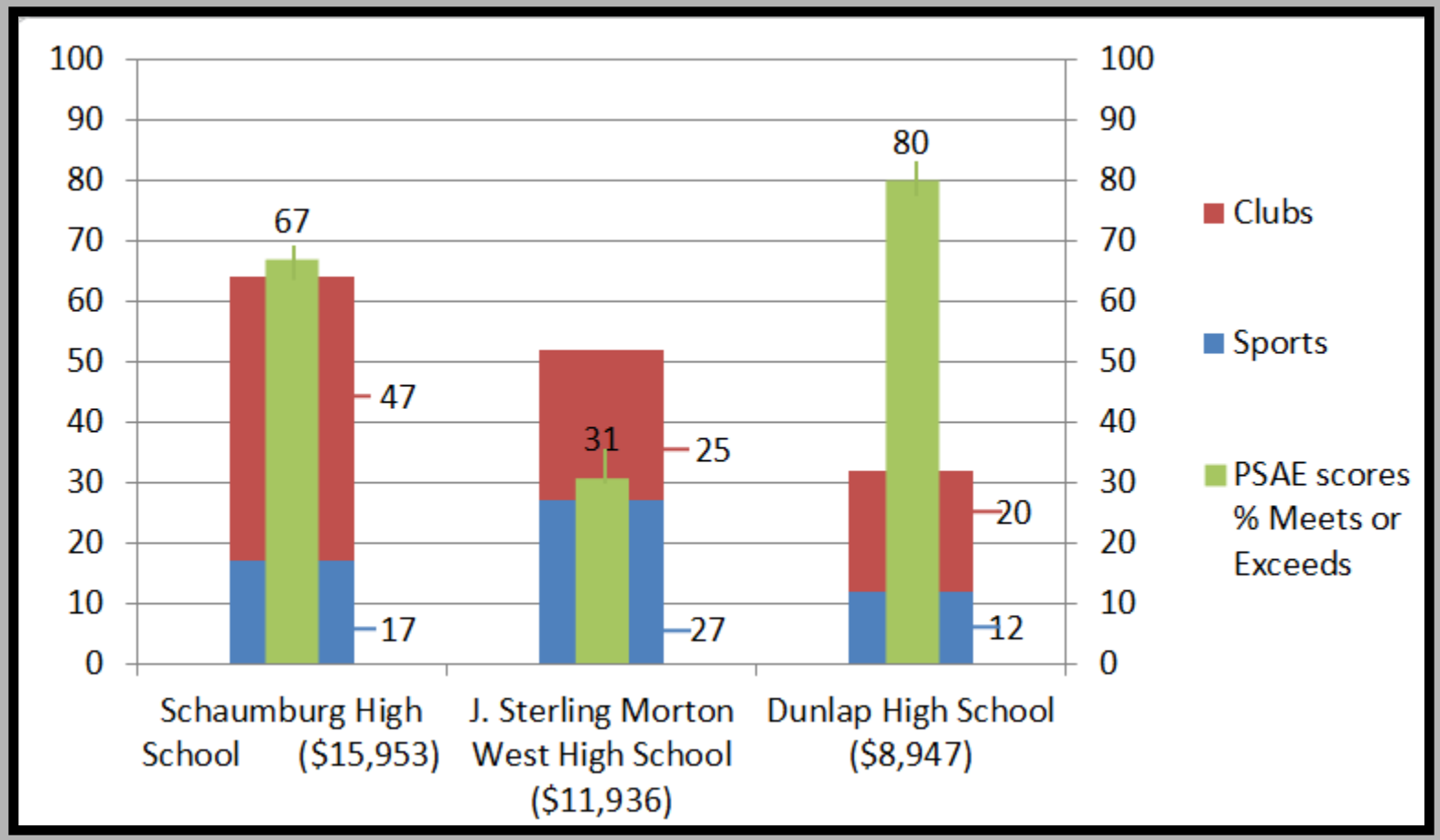
Dunlap Experience

- 12 Traditional sports
- 20 Clubs (excluding sports)
  - Meet 1-2 times a month for 15-30 minutes
  - No after school transportation

J. STERLING MORTON WEST HIGH SCHOOL

J. Sterling Morton West High School

Total Enrollment: 3,506



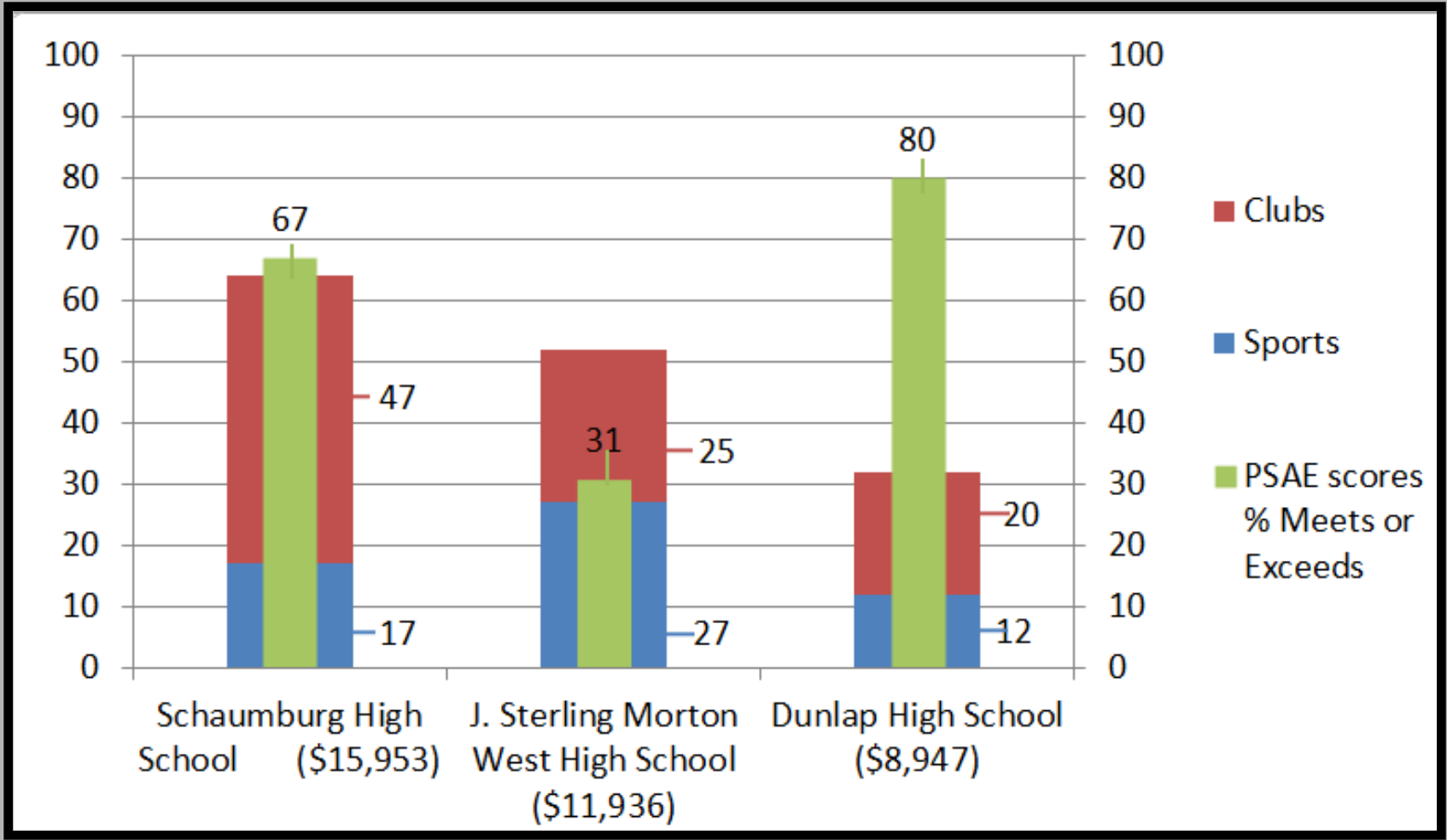
J. Sterling Morton West Experience

- Variety of classes causes a lack of focus on graduation requirements
  - Automotive classes
  - Carpentry classes
- Summer school required for higher education
- 25 Extracurricular activities and 27 sports
- Student leadership not cultivated
- Limited stipends for co-curricular advisors
- Lack of after school transportation

SCHAUMBURG HIGH SCHOOL

Schaumburg High School

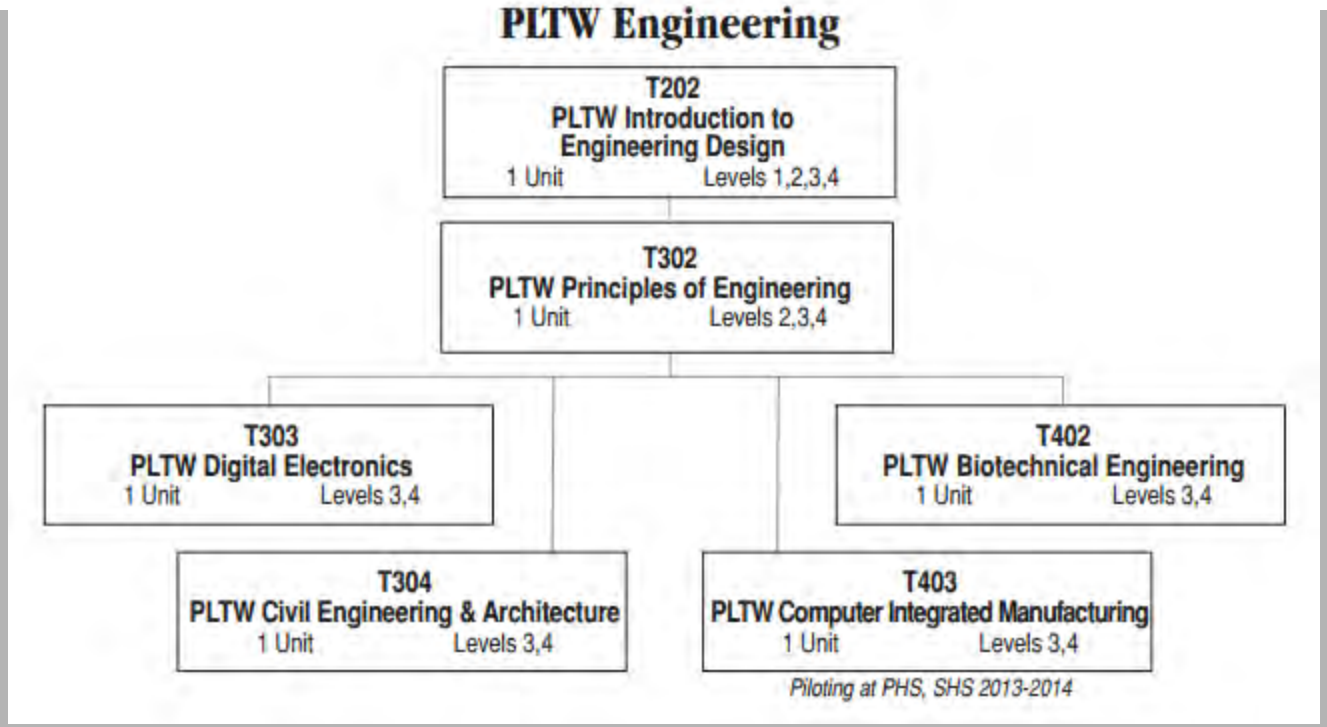
Total Enrollment: 2,458



Schaumburg High School Experience

PROJECT LEAD THE WAY

PLTW



Conclusion

- Support is necessary from the students, administration, and staff for a class or extra curricular to succeed
- By limited selection of courses and activities, schools stymie the potential of their students

K-12 funding must take into account the after school transportation, teacher stipends for clubs, and balanced academic curriculum.

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Ralph M. Martire
Executive Director

Written Summary of Ralph M. Martire to the
Education Funding Advisory Committee
Monday, December 2, 2013

1. Current Fiscal Condition.

- **The General Fund Budget passed for FY2014 authorizes $36.196 billion in spending.**
  - Of that amount, $11.123 billion or 31% represents nondiscretionary spending on hard costs like debt repayment, pension contributions and statutory transfers out.
  - That leaves $25.074 billion appropriated to fund current services—however—the budget indicates that $500 million of this aggregate appropriation will not be spent and $50 million will be deducted to pay bills, leaving a net service appropriation for FY2014 of $24.524 billion.
  - Of that $24.524 billion, $9 out of $10 will go to the four core service areas of: Education PreK-Higher Ed (35%); Healthcare (29%); Human Services (20%) and Public Safety (6%).
  - Net spending on services in FY2014 is scheduled to be $173 million less in nominal and $873 million less in real, inflation adjusted dollars than in FY2013.
- **The FY2014 General Fund budget continues the trend of implementing real spending cuts to services that dates back to FY2000.**
  - In real, inflation-adjusted terms, total spending on services in FY2014 will be either 23.7 percent (using the Consumer Price Index) or 28 percent (using the Employment Cost Index) less than in FY2000.
  - In fact, General Fund expenditures for services in FY2014 are $4.7 billion less in nominal dollars than they were in FY2009, a mere five years ago.

2. Neither Spending on Services nor Pension Benefits are the Problem.

- **Spending on services is not driving the state's deficit problems.**
- **In fact, as shown in Figure 1, when compared in real, inflation adjusted terms, the level of spending for every major service category in FY2014 is significantly less than in FY2000.**

Figure 1
Illinois General Fund Spending On Core Services FY2014 Compared to FY2000 Enacted, And FY2000 Adjusted for Inflation and Population Growth ($ Millions)

Category	FY2000 Enacted	FY2014 GOMB	FY2000, Enacted Adj for Infl (ECI) and Pop Growth	$ Diff FY2014 – FY2000 Adj (ECI and Pop Growth)	% Change
Net General Fund (excluding Group Health)	$20,064	$23,177	$32,178	($8,993)	-28%
PreK-12 Education	$4,844	$6,686	$7,491	($805)	-10.7%
Higher Education	$2,152	$1,991	$3,328	($1,337)	-40.2%
Healthcare (excluding Group Health)	$5,022	$7,171	$8,911	($1,740)	-19.5%
Human Services	$4,599	$4,996	$7,112	($2,116)	-29.7%
Public Safety	$1,350	$1,648	$2,088	($440)	-21.1%

Sources: FY2000 unadjusted appropriations from Governor's final budget summary for FY2000; and FY2014 CTBA analysis SB 2555, SB 2556, HB 206, HB 208, HB 213, HB 214, HB 215, passed by the 98th General Assembly. Appropriations adjusted using ECI and Midwest Medical Care CPI (for Healthcare) from the BLS as of January 2013, and population growth from the Census Bureau as of January 2013.

(i) While spending on core services is trending down in real terms over time, the costs of repaying hard costs like debt service—particularly debt owed to the pension systems—is trending up. In fact, the FY2014 hard costs will be some $8.08 billion more than in FY2009, just five years ago.

- **While much is made about the significant unfunded liability the state owes to its five pension systems, the primary cause of that unfunded liability, and hence the fiscal strain it imposes on state resources, remains poorly understood.**

  - Illinois incurred its pension debt, which now stands in excess of $95 billion, over decades, by diverting what it owed to fund benefits to instead subsidize the cost of providing public services. Through this process, the state effectively borrowed billions of dollars from the pension systems, using them like a credit card. It is this borrowing—and more specifically the amortization schedule passed into law in 1995 that delineates how pension debt is to be repaid—that is straining state resources.

  - The total pension contribution to all five systems identified in the FY2014 General Fund budget is $5.99 billion, a significant year-to-year increase of $875 million or 17 percent from FY2013 levels.

  - Of that total $5.99 billion contribution for FY2014, however, over 80 percent or $4.89 billion is the debt service payment owed to the pensions to cover past borrowings. Benefits, on the other hand, are not the problem. Just $1.10 billion of the scheduled FY2014 pension contribution is made up of the employer's "normal cost" to the state for covering benefits earned by public sector workers.

  - *That means, the entire $875 million in year-to-year increase in the state's pension contribution called for in FY2014 is caused by debt service, not benefits being earned. Over four out of every five dollars of the state's pension contribution scheduled for FY2014 constitute repayment of debt, rather than a contribution for the cost of funding benefits being earned.* This continues the trend, highlighted in the table below.

Figure 2
Normal Cost vs. Debt
General Fund Pension Contributions FY2012-FY2014
($ Billions)[1]

	FY2012	FY2013	FY2014
Total	$4.14 B	$5.11 B	$5.99 B
Normal Cost	$1.17 B	$1.10 B	$1.10 B
Debt Service	**$2.97 B**	**$4.01 B**	**$4.89 B**

Source: CTBA analysis of Operating Budget Detail GOMB, FY2014 Operating Budget Detail (March 6, 2013), http://www2.illinois.gov/gov/budget/Pages/BudgetBooks.aspx; HB 206 of the 98th General Assembly; and COGFA, IL State Retirement Systems: Financial Condition as of June 30, 2012 (Springfield, IL: February 2013).

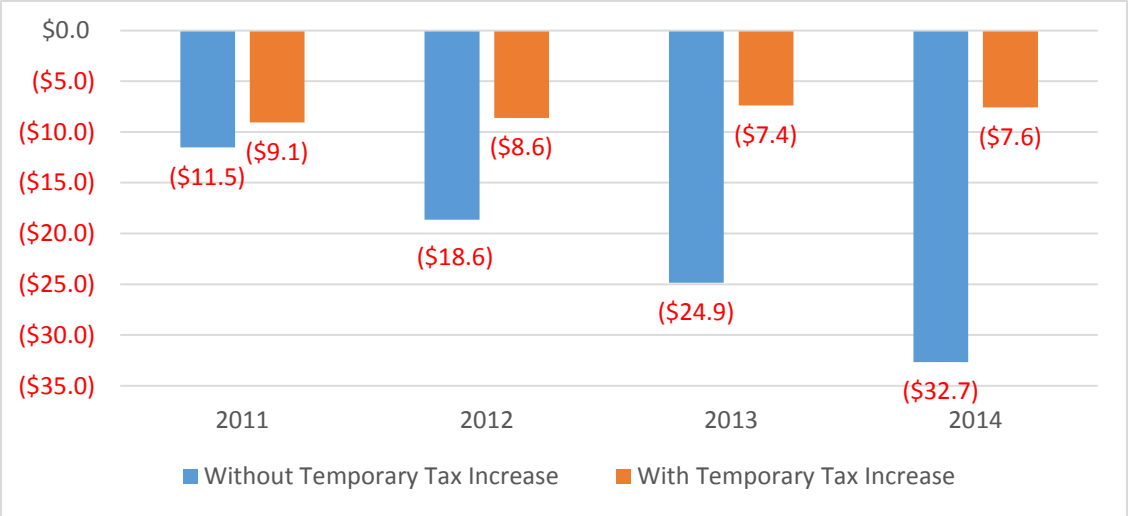
3. Temporary Tax Increases have Helped, but are Going Away Soon.

- The temporary tax increases passed in 2011 as part of the Taxpayer Accountability and Budget Stabilization Act or "TABSA", helped stabilize the state's fiscal condition, and prevented billions of dollars in service cuts.

  (i) The state's accumulated annual General Fund Budget deficit varied from $7.4 to $9.1 billion annually from FY2011 through the projected deficit for FY2014, factoring in the revenue generated from the temporary tax increases under TABSA.

  (ii) As shown in Figure 3, without the revenue from the temporary tax increase, the state's total accumulated deficit would be over three times greater in FY2014.

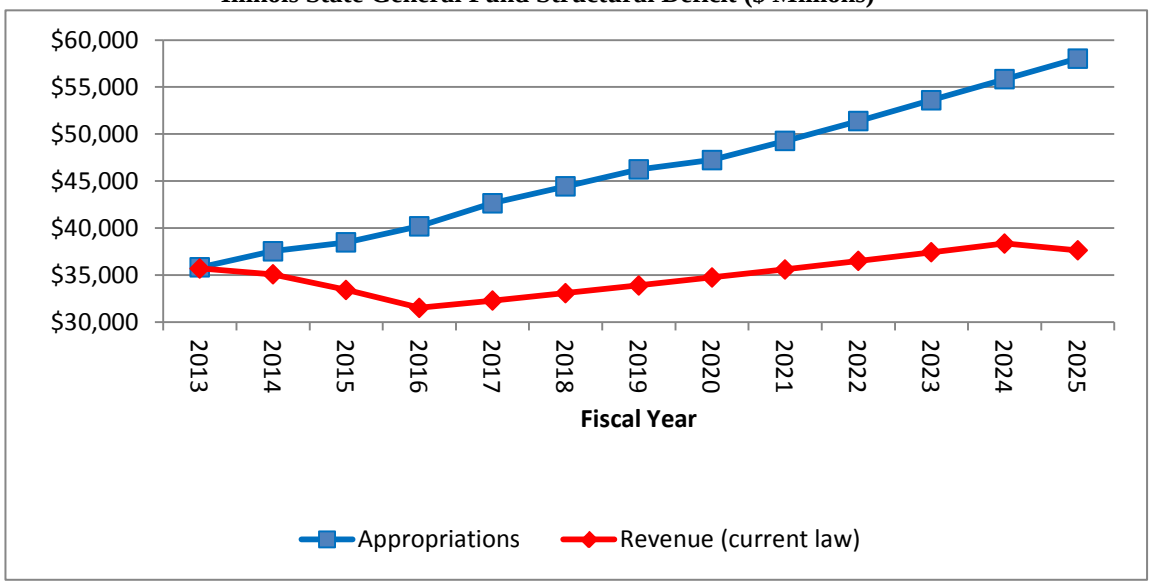
Figure 3
Impact of the Temporary Tax Increase
on the Accumulated Deficit



Sources: CTBA calculations using total spending figures for FY2011 and FY2012 as reported in GOMB, *FY2013 Budget Book* (Springfield, IL: February 2012 2013), Ch. 2-18; total spending for FY2013 includes all supplementals; and spending for FY2014 as reported in COGFA, *State Budget of Illinois Budget Summary: FY2014* (Springfield, IL: August1, 2013), 26 for hard costs; and SB 2555, SB 2556, HB 206, HB 208, HB 213, HB 214, HB 215, passed by the 98th General Assembly; actual revenue for FY2011-FY2013 as reported by COGFA; and estimated revenue for FY2014 as estimated by COGFA in *FY2014 Economic Forecast and Revenue Estimate and FY2013 Revenue Update* (Springfield, IL: March 12, 2013).

- For over a decade, CTBA has pointed out that the Illinois tax system consistently does not generate enough General Fund revenue to maintain delivery of the same level of public services from year-to-year after adjusting for inflation. This remains the case in FY2014. The ongoing mismatch in the state's General Fund between the lower rates of growth for revenue than the pace of increase in the cost of maintaining service levels is commonly called a "structural deficit," which is shown in Figure 4.

Figure 4
Illinois State General Fund Structural Deficit ($ Millions)

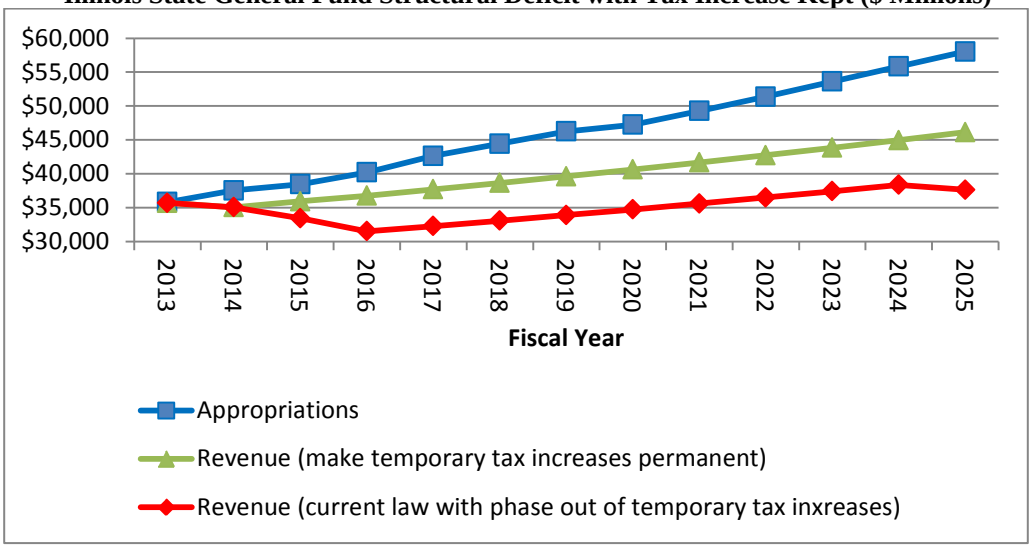


- The structural deficit depicted in Figure 4: (i) assumes that estimates for revenue and final appropriations for FY2013 will be fully realized; and (ii) uses the revenue estimates for FY2014 and FY2015 made by COGFA.[2] It also assumes that the state maintains constant spending on services in real terms through

FY2025, meaning that no programs are expanded or added, and that revenue will grow at historic annual rates.[3] It should also be noted that the revenue declines that occur in FY2015-FY2016 and again in FY2025 are due to the scheduled phase-outs of the temporary income tax increases under TABSA.

- As Figure 5 shows, even if the temporary tax rate increases are not phased out, the Illinois structural deficit remains.

Figure 5
Illinois State General Fund Structural Deficit with Tax Increase Kept ($ Millions)



- The state's structural deficit, together with the Governor's three-year spending projection issued under Budgeting for Results requisites (which identifies General Fund service spending cuts through FY2016)[4] raise a number of concerns about the state's capacity to continue funding core services into the future.

4. These Fiscal Problems have Significantly Impacted K-12 Education in Illinois.

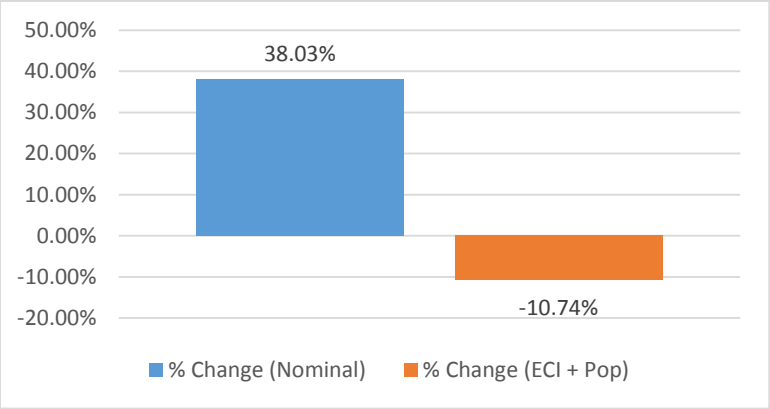
- The FY2014 Enacted Budget appropriation for K-12 education is $6.39 billion, which is a modest nominal increase of $139 million or 2.2 percent compared to FY2013. However, after adjusting for inflation (using the ECI) and population growth, K-12 appropriations scheduled for FY2014 will be $14 million less in real terms than in FY2013.

- Moreover, the FY2014 General State Aid for K-12 education will be "prorated". That simply means the General State Aid formula-grant portion of K-12 funding for the 2013-2014 school year will not be made at the level identified in the budget. Instead, for the third consecutive fiscal year, school districts will actually receive a smaller portion—or "proration"—of the appropriated amount identified in the budget. ISBE estimates that the state will only fund 89 percent of the full budgetary appropriations.[5]

- From an equity standpoint, the proration of General State Aid is problematic. Indeed, for districts that already have a high percentage of low-income students, the proration of General State Aid means that they receive disproportionately greater cuts in funding than less impoverished communities.

- Considered over the long-term, the FY2014 enacted appropriations for PreK-12 continued the disturbing trend of cutting the state's funding of public education in real terms. Although the enacted appropriation for PreK-12 education is 38 percent more in nominal dollars in FY014 than it was in FY2000, once inflation and population changes are accounted for, real PreK-12 education appropriations will be at least 10 percent less than FY2000 levels.

Figure 6
Enacted PreK-12 Education Appropriations for FY2014 Compared to FY2000, Nominal & Adjusted for Inflation and Population Change



Sources: FY2000 unadjusted appropriations from Governor's final budget summary for FY2000; and FY2014 CTBA analysis of SB2555 and HB0208, (May 31, 2013). Inflation for healthcare by Midwest Medical Care CPI; all other appropriations adjusted using ECI-C and Midwest CPI from the BLS as of January 2013, and population growth from the Census Bureau as of January 2013.

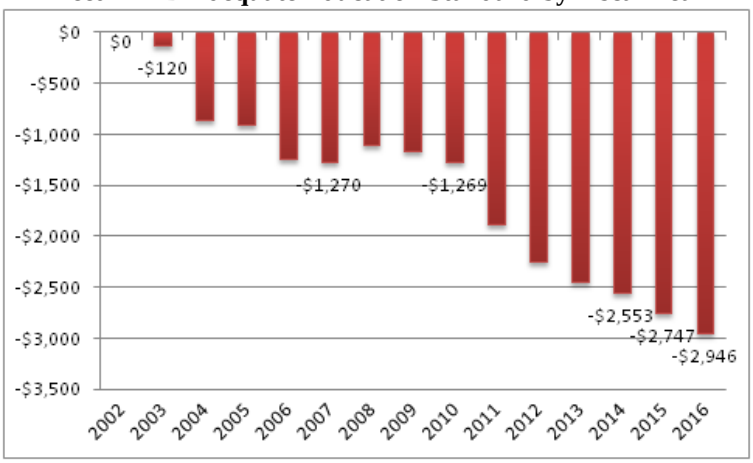
- **Public K-12 Education funding in Illinois remains inadequate under both the state's own and national standards.**

  (i) The nonpartisan Education Funding Advisory Board (**EFAB**) is required by law to recommend a "Foundation Level" of per pupil spending that is sufficient to cover the cost of an adequate K-12 education. The Foundation Level is supposed to include most of the basic costs of educating a "non-at-risk" child, that is, a child with a reasonable likelihood of academic success. The Foundation Level does not include the cost of significant items, like transportation, special education, and educating children who are English language learners or live in poverty.

  (ii) In FY2003, the state's actual Foundation Level was $120 less per child than the EFAB recommendation tied to the actual, base cost of educating a non-at-risk child. If the FY2014 Foundation Level is funded fully (it won't be, it will be prorated at 89 percent), the state's actual Foundation Level will be at least $2,553 less per child than the EFAB recommendation.

  (iii) Figure 7 shows the annual shortfall between the state's actual Foundation Level and the EFAB recommendation from FY2003 through FY2014, and as projected through FY2016, based on the Governor's spending forecasts issued under Budgeting for Results.

Figure 7
Dollar Shortfall in State Per-Pupil K-12 Education Funding to Meet EFAB Adequate Education Standard by Fiscal Year



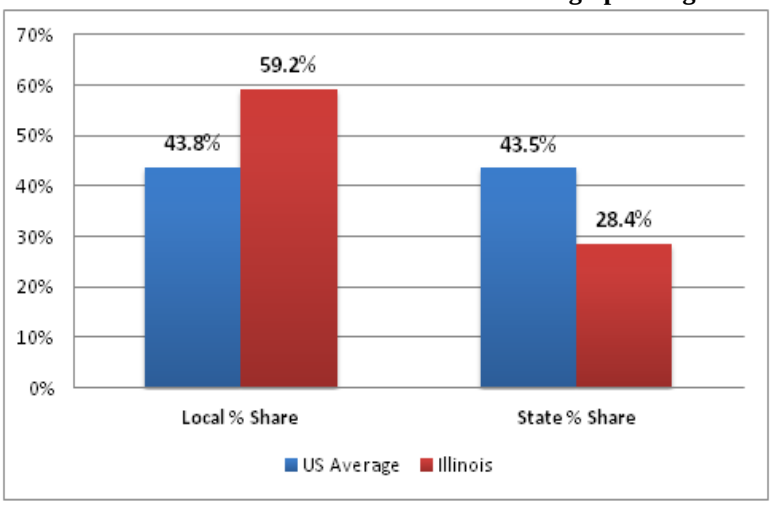
Sources: CTBA analysis of January 2013 EFAB data. Education Funding Advisory Board, *Illinois Education Funding Recommendations*, (Springfield, IL: January, 2013), p. 9.Appropriations adjusted using ECI and Midwest Medical Care CPI (for Healthcare) from the BLS as of January 2013, and population growth from the Census Bureau as of January 2013.

(iv) As Figure 7 shows, education funding is well below the standard the state has set for itself.

- **Now consider national comparisons**.

  (i) According to the National Center for Education Statistics (**NCES**), in FY2010, Illinois ranked dead last among the states in the portion of education funding covered by state, rather than local resources. Indeed, as Figure 8 shows, Illinois only covers 28.4 percent of public education costs, while the national average is 43.5 percent. Meanwhile, nearly 60 percent of K-12 education costs are covered by local resources in Illinois.[6] That performance ranks Illinois 50th—dead last in the nation—in the portion of education funding covered by the state, rather than local resources.

Figure 8
Local and State Share of Education Funding Spending

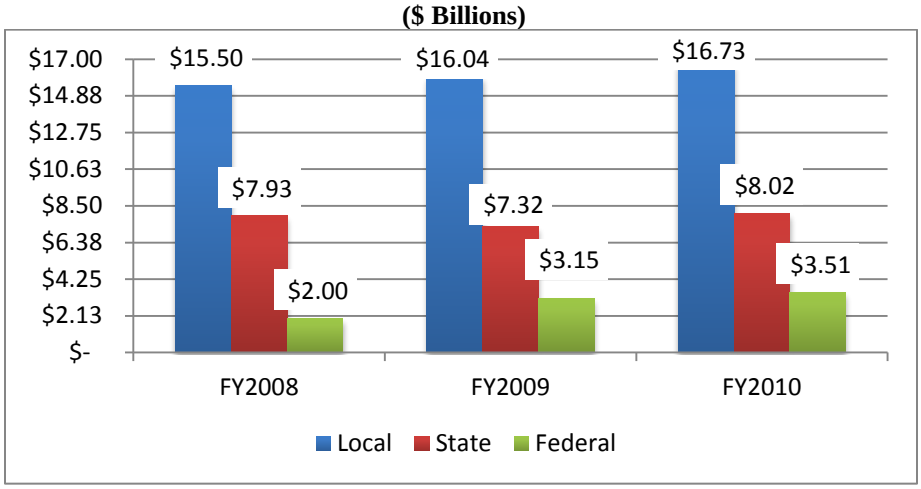


Source: U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2009-2010 (Fiscal Year 2010)* (Washington, DC: November 2012), 7.

- Despite the significant portion of education funding local school districts have assumed, overall education funding levels in Illinois remain low compared to national averages. According to the National Association of State Budget Officers (**NASBO**), Illinois ranked 40th in per-capita education spending in FY2008 despite having the 17th highest per-capita income among the states. In order for Illinois to move up to being just "average" in per-capita spending (a ranking of 25th) among the states, the state appropriation for K-12 education—back in FY2008—would have had to have been $2.89 billion greater than it was. Rather than increase funding for education since FY2008, Illinois has cut it by $428 million.

- Since FY2010, the last year in which additional federal funding for K-12 was available under the American Recovery and Reinvestment Act (**ARRA**), overall state spending on K-12 education has declined by some $621 million. The net result is that today, state funding will cover less than the 28.4 percent of K-12 education costs it did back in FY2010, with local funding covering more than the 59.2 percent it provided in FY2010, as shown in Figure 9.

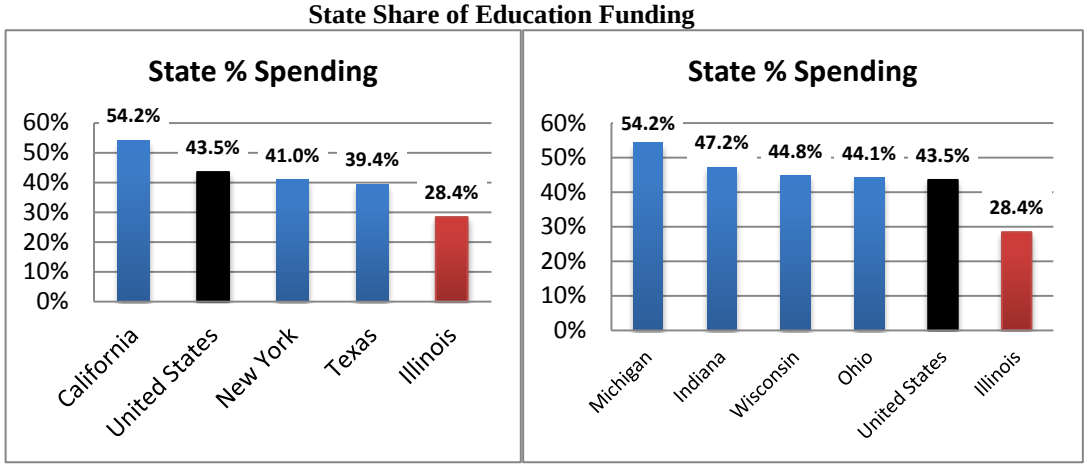
Figure 9
Local, State, and Federal Share of Education Funding in Illinois FY2008-FY2010 ($ Billions)



Source: U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2009-2010 (Fiscal Year 2010)*. U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2008-2009 (Fiscal Year 2009)*. U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2007-2008 (Fiscal Year 2008)*.

- Figure 10 shows how Illinois stacks up with other large states and the Midwest in state spending on K-12 education.

Figure 10
State Share of Education Funding

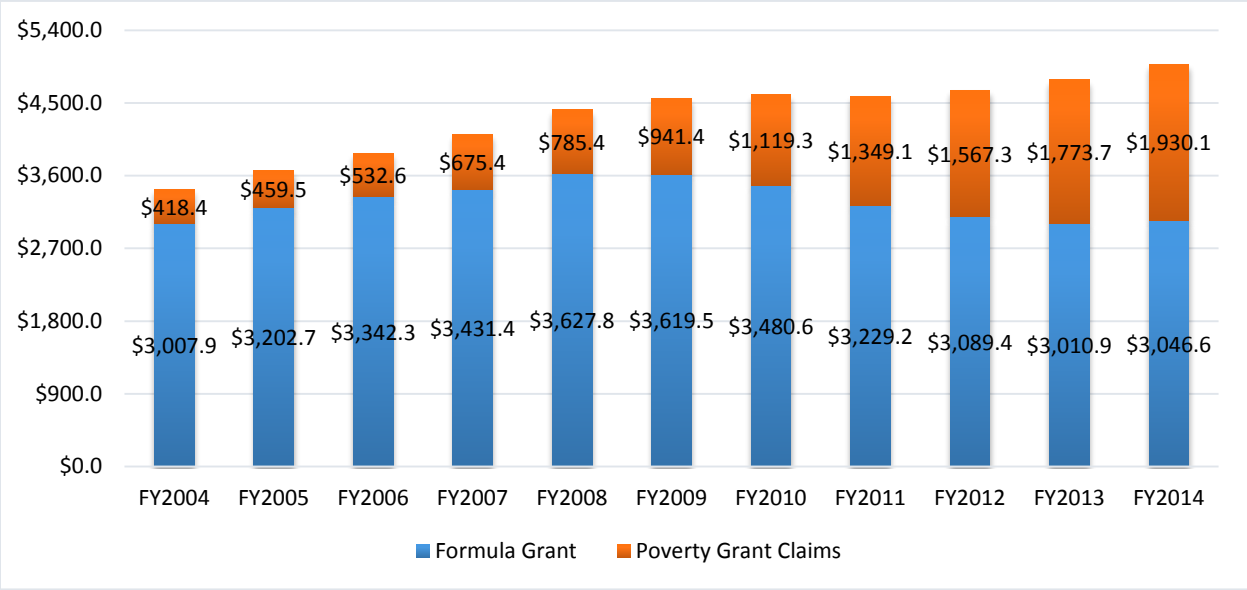


Source: U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2009-2010 (Fiscal Year 2010)*, (Washington, DC: November 2012).

- Hence, the data show that Illinois fails to fund public education at an adequate level, whether evaluated under its own standards or compared to the rest of the nation.
- **Despite recent increases, the Poverty Grant is not providing the additional support to low-income students it is intended to provide.**
- The General State Aid allocation includes the Supplemental Poverty Grant, often referred to as the "Poverty Grant," which allocates funds to school districts according to the percentage of low-income students in those districts. As the district-wide percentage increases, its per-pupil allocation increases as well, up to a maximum of nearly $3,000 per student at 100 percent poverty. Since FY2003, the amount of revenue allocated to the Poverty Grant has more than quadrupled, increasing from $388 million to $1.7 billion in FY2013—an annual average growth rate of 16.5 percent.[7]

- The full value of this increase, however, has not been realized in low-income school districts. That is because to cover some of this Poverty Grant growth, General State Aid determined under the school funding formula has been reduced, as show in Figure 11.

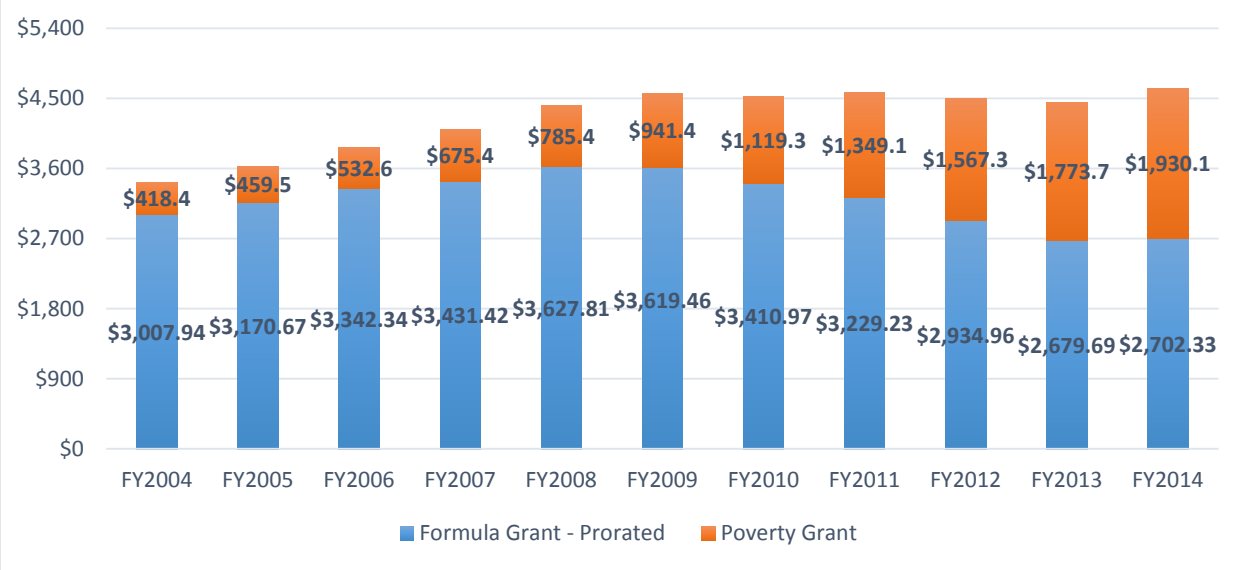
Figure 11
Total Formula Grant and Poverty Grant Claims FY2004 to FY2014
Prior to Adjustments ($ Millions)



Source: ISBE, Division of Funding and Disbursement Services http://www.isbe.net/funding/pdf/gsa-historical.pdf

- Figure 11 understates the extent to which GSA formula grants have been reduced to subsidize growth in the poverty grant over time, because it does not account for proration of foundation support. Figure 12 shows reductions in GSA formula grants after proration, versus growth in poverty grant funding overtime.

Figure 12
Formula Grant and Poverty Grant Claims FY2004 to FY2014,
Prorated ($ Millions)



- Figure 13 shows that the $917 million in cuts in GSA formula grants from FY2009 through FY2014 covered fully 93% of the increase in Poverty Grant funding over that sequence.

Figure 13

	FY2009	FY2014	Change	% Change
Formula Grant (Enacted)	$3,619,456,292	$3,045,596,344	-$572,859,948	-15.8%
Formula Grant Prorated	$3,619,456,292	$2,702,330,957	-$917,125,344	-25.3%
Poverty Grant	$941,353,936	$1,930,104,474	$988,750,538	105%

- Using other General Sate Aid revenue to cover a portion of the growth in the Poverty Grant has had two negative consequences for public schools in Illinois and the children who attend them.

  (i) First, the increasing number of children who live in poverty do not realize the full educational benefits that increased Poverty Grant funding are supposed to provide, because the reduction in other state aid used to fund those increases in the Poverty Grant diminishes what their schools receive in the aggregate. This for the most part leaves vulnerable at-risk children with substandard educational opportunities.

  (ii) Second, over three-quarters of all public school children in Illinois see reduced funding for their schools from General State Aid, diminishing the education delivered to most children in the state.

- While the stated goal of legislators is to keep level funding for K-12 in the FY2014 budget so that school districts will again receive 89 percent of the full budgeted appropriation, as was done in FY2013, ISBE is already projecting that Poverty Grant claims will be over $150 million more in FY2014 than they were in FY2013.[8] This increase may make level funding impossible. If Poverty Grant claims continue to climb, then it is possible that General State Aid will be prorated at an even lower figure than the anticipated 89 percent. This would force school districts statewide to compensate for a further loss of state funding by either increasing local property taxes to maintain education services at FY2013 levels, or scaling back the education provided to children.

5. Illinois' Overreliance On property Taxes Has Created an Inequitable Funding System.

- Based upon local property tax wealth (and the revenue available from the Corporate Personal Property Replacement Tax or "**CPPRT**") Illinois divides school districts into three categories for education funding purposes:

  (i) Foundation Formula: Districts that are able to fund 93% or less of the total statutory Foundation Level support from local property tax and CPPRT revenue;

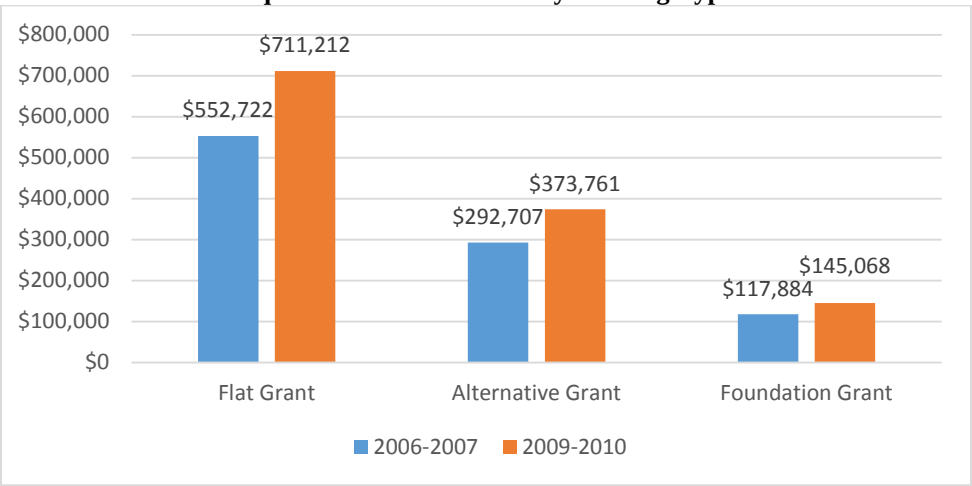
  (ii) Alternative Formula: Districts that are able to fund between 93% and 175% of support from Foundation Level via local property tax revenue; and

  (iii) Flat Grant: Districts with local property tax and CPPRT revenue that exceeds 175% of total Foundation level support.

- Generally, over 75 percent of all Illinois children attend Foundation Formula funded schools. Meanwhile, only around 4.8 percent of children in Illinois attend Flat Grant schools, and just over 20 percent attend Alternative Formula funded schools.

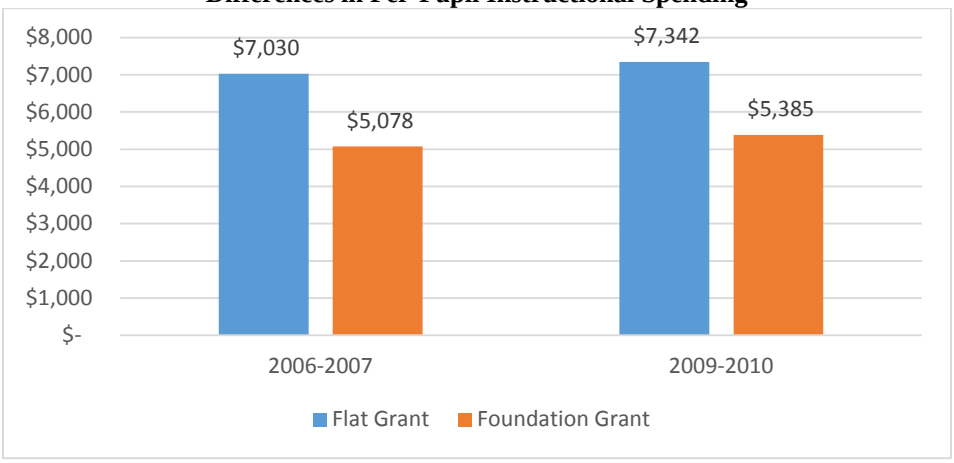
- The amount of property wealth available for taxation in a given school district is based on the "Equalized Assessed Value" ("**EAV**") of the real property in that district. As illustrated in Figure 14, Flat Grant schools have, on average, nearly five times more local property EAV available to tax than do the Foundation Formula schools which educate three-quarters (75 percent) of Illinois school children.

Figure 14
Equalized Assessed Value by Funding Type



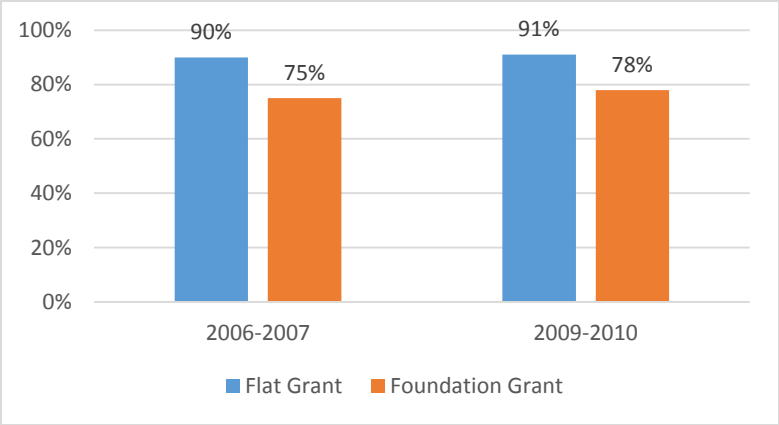
- Not surprisingly, then, as shown in Figure 15, Flat Grant school districts spend more on "instructional" expenses per student generally than do Foundation Formula schools. "Instructional" expenses are those that primarily go directly to educating children, covering essentials such as course materials, teacher salaries and technology used in the classroom.

Figure 15
Differences in Per-Pupil Instructional Spending



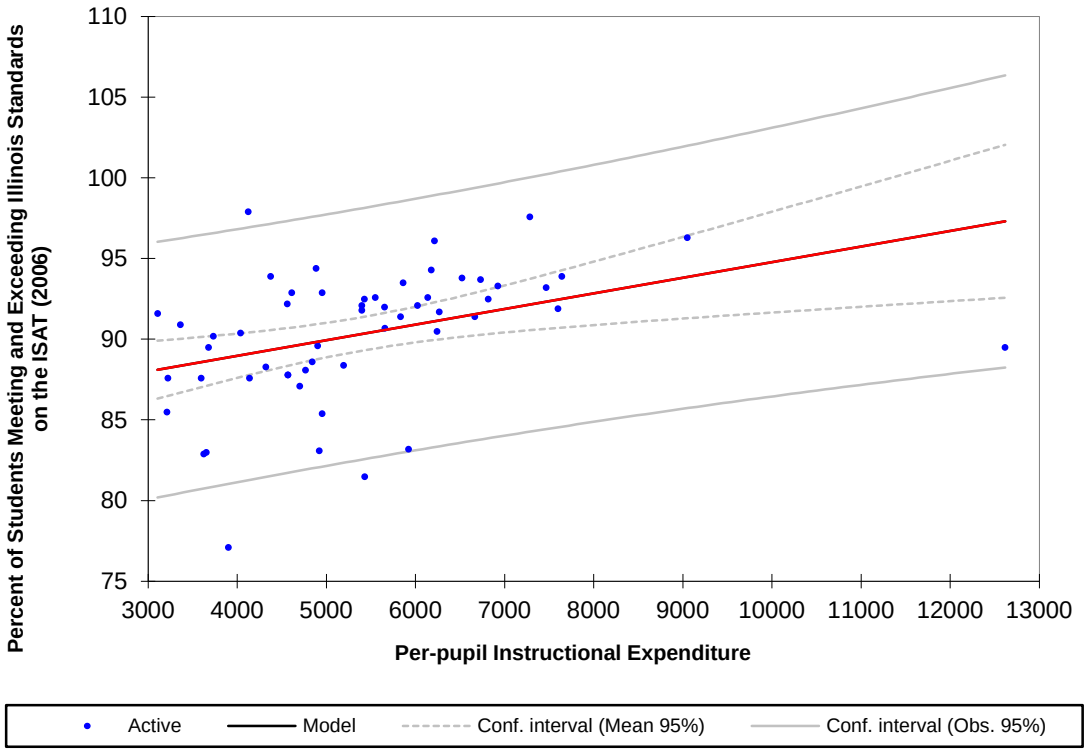
- The difference in overall instructional spending per-pupil is significant—$1,957 in 2009-2010—and at least partially explains why students who attend Flat Grant schools consistently outperform students who attend Foundation Formula schools in achievement as measured by the Illinois Standard Achievement Test ("**ISAT**"). Other factors, like home improvement, poverty levels, number of English Language Learners ("**ELL**"), etc., also play roles.

Figure 16
Percent Meeting and Exceeding ISAT Standards
(Blended 3rd, 6th, and 84th Grade Composite Results)



- The central importance of making an investment that is adequate to pay for a quality education is demonstrated by the regression analysis shown in Figure 17.

Figure 17
Regression of ISAT Performance Vs. Per-Pupil Instructional Expenditure for School Districts with 3-8% Low Income Rates

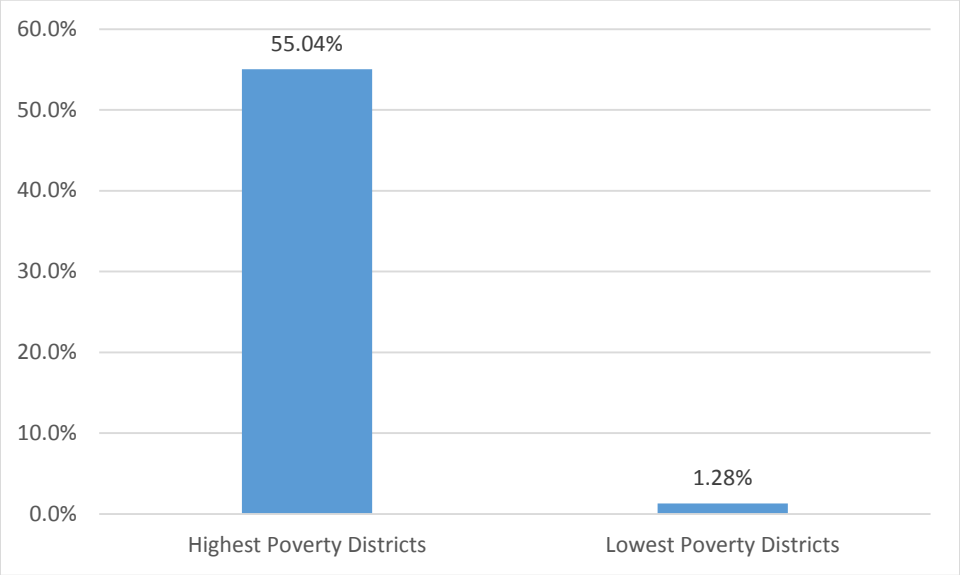


A linear regression is a statistical analysis that shows the correlation of two or more variables, in this case, how per-pupil expenditures correspond to ISAT test scores. The regression line (heavy red) represents the predicted test score results a school district should obtain, given a specific level of instructional expenditure. As Figure 17 shows, even in those school districts with the lowest poverty levels, there is a statistically significant correlation between instructional expense per child and student achievement as measured by the ISAT.

6. Low-Income and Minority Students Have Faired Particularly Poorly Under the Illinois System.

- In Illinois, nearly half of school-aged children live in poverty, while in the Chicago Public School system, the number of children in poverty is 85 percent. Generally, schools with high concentrations of poverty spend around $1,500 - $2,000 less per student on instructional costs than do Flat Grant schools. This is contrary to the recommendations of respected experts like Alan Odden, University of Wisconsin Consortium for Policy Research in Education, whose research indicates that, to attain similar academic outcomes, significantly more (approximately 159 percent) must be spent on children in poverty than on their non-at-risk peers.
- The state's failure to invest in the education of its poor students has had consequences in their achievement overall, and a disproportionately negative impact on minorities, due to the concentration of minorities in low-income areas, as shown in Figure 18.

Figure 18
Percentage of African-American Students in High and Low Poverty Schools



7. The Solutions.

- **General goals:**
  - **Implement a strategic, comprehensive approach for sustainable fiscal and education systems reform that:**
    - **(i)** Is driven by evidence and best practices;
    - **(ii)** Bridges, rather than reinforces, ideological divides; and
    - **(iii)** Results in adequate fiscal capacity to fund K-12 education sufficiently, sustainably and equitably.
- **Specific Goals:**
  - **Education/Fiscal Reforms Should be Focused on:**
    - **(i)** Moving to an evidence-based school funding formula;
    - **(ii)** Building collaboration/reducing competition;
    - **(iii)** Building the teaching profession;
    - **(iv)** Investing adequately in poorest schools on up, focusing on equity as core to excellence;

(v) Investing in early childhood education, wrap-around services and overall education funding;

(vi) Enhancing induction/mentoring;

(vii) Building skills of principals;

(viii) Ensuring funding goes to K-12 thru "Lock-Box" type structure; and

(ix) Tying education to needed fiscal reforms.

- **Net Outcome → Building capacity so that every school provides high quality education tailored to meet student need.**

- **Education reforms that build capacity and which have been demonstrated, either in the United States or in any other nation, to enhance student achievement, learning and/or critical thinking skills over time, include:**
  - **Enhancing pedagogical skills of extant teaching staff through:**

    (i) Induction, mentoring, training and other professional development programs that are based on best practices, aligned with Common Core Standards, and embedded in daily practice, and

    (ii) Collaborative teaching programs across schools and school districts which encourage teachers to work in groups and share effective strategies.

  - **Enhancing instructional capacity through implementing:**

    (i) Extended learning time initiatives pursuant to which the school day and/or year is extended in conjunction with a plan that incorporates additional substantive learning, tutoring and/or enrichment programming demonstrated to correlate to enhanced student learning, achievement and/or development of either critical thinking and/or social/emotional learning;

    (ii) High quality afterschool, summer and vacation programs;

    (iii) Social/emotional learning curriculum including all teacher training and/or professional development necessary for such implementation to be successful;

    (iv) Rich and rigorous academic programming including but not limited to programming needed for effective implementation of the Common Core State Initiative, advanced placement, honors and/or gifted programs, and academic tutoring programs, including but not limited to acquisition of all associated textbooks, library materials, computers, smart-boards, electronic tablets or similar devices, lab materials, virtual resources and other technology, pedagogical material or instructional supplies, as well as all professional development necessary for effective implementation thereof;

    (v) Effective "response to intervention" programming with appropriately skilled professional staff;

    (vi) Appropriate programs and services for English language learners;

    (vii) Meaningful enrichment programming that includes cultural, athletic, academic, civic, community service and other enrichment activities;

    (viii) Appropriate programs and services for students with disabilities that are not funded under other state or federal programs;

    (ix) Compensation programs designed to attract and retain highly skilled teachers, particularly those qualified in the areas of science, technology and math and instruction of English language learners;

    (x) The hiring of additional, professional, qualified, teaching staff and classroom assistants needed to reduce class sizes in kindergarten through third grade to no more than 15 students, and class sizes for all grades thereafter to no more than 25 students;

    (xi) The hiring of additional nurses, counselors, support staff, certified special education teachers and/or assistants as required to service the needs of all at-risk children;

(xii) Proven strategies for reducing and preventing children from dropping out of school, and

(xiii) Enhanced technology and vocational instruction.

- **The education-related fiscal reforms will require:**

  (i) ISBE to identify and publicly report the teaching staff, programs and services needed to provide a "meaningful educational opportunity" to all students of every race and income level (including ELL and special needs) based on evidence of effective education practices;

  (ii) Passage of legislation that implements a school finance system that provides equitable/sufficient funding for all students to achieve content and performance standards—moving away from overreliance on local and to greater reliance on state-based resources;

  (iii) An acknowledgement in the funding formula itself that "Equitable" in some cases means more than equal investment—as in other advanced nations, it includes providing additional resources for at-risk populations.

- **Why move to an Evidence-Based Model.**
  - Unlike current Illinois law—an Evidence-Based Model:

    (i) Takes into account research on effective education practices,

    (ii) Covers the needs of English Language Learners and high poverty students,

    (iii) Has the capacity to identify the resources needed for helping all students to achieve state standards.
  - It works by identifying the educational and school structures that have been demonstrated to enhance student achievement over time.
  - It then costs out those practices and structures, taking into account regional cost differentials, to the level needed to create the type of meaningful educational opportunities needed for all children to achieve at high levels.
  - When properly applied, it both accurately identifies system-wide funding needs and encourages effective, school-wide educational strategies.
  - An "Evidence-Based" School Funding Formula:

    (i) Utilizes the findings from experimental studies of effective schooling strategies and from Comprehensive School Reform models to build a prototype school that contains the educational strategies and structures demonstrated to enhance student achievement,

    (ii) Incorporates the cost of educating "at-risk" children,

    (iii) Incorporates basic operational costs such as administrative, custodial and transportation expenses.
  - Using 2008 data, an evidence-based model found that the cost of providing a meaningful education to all Illinois' children (including all factors such as poverty, English Language Learners, etc.) would average $12,572 per pupil. The actual average expenditure in 2008 was $10,822 per pupil. The difference would have cost an additional $3.54 billion.

Respectfully submitted,

Ralph M. Martire, Executive Director
Center for Tax and Budget Accountability
December 2, 2013

ENDNOTES

[1] Figures exclude contributions made to CTPF and for retiree insurance; figure for SERS includes pension contributions made by both the state and agencies; and figures for SERS and SURS exclude contributions made via other state and federal funds. Approximately 90 percent of the state's required pension contribution is made via the General Fund.

[2] COGFA, 3-Year Budget Forecast FY2013-FY2015, (Springfield, IL: March 2012). Revenue estimates beyond FY2015 assume (i) state source growth will be in-line with historic rates and (ii) federal funding will be flat.

[3] Public spending on the core services is based on these assumptions: (i) projecting spending on core services using the Congressional Budget Office's projection on employment growth and population growth using the Illinois Department of Commerce and Economic Opportunity's population projections; (ii) pension contributions based on the funding plan put in place by Public Act 88-593; (iii) statutory transfers are projected based on historic CPI-U growth and population growth using the Illinois Department of Commerce and Economic Opportunity's population projections; and (iv) bond debt service is the General Revenue Fund schedule reported by the Comptroller in FY2011 Bond Indebtedness and Long Term Obligations.

[4] See GOMB, 2013 Three Year Projection, (Springfield, IL: January 11, 2013), http://www.state.il.us/budget/Financial%20Reports/3%20Year%202013%20FINAL.pdf

[5] Finke, Doug, *Senate approves education budget*, (May 29, 2013: Springfield, IL), http://www.sj-r.com/thedome/x1039450521/Senate-approves-education-budget, retrieved May 31, 2013.

[6] U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2009-2010 (Fiscal Year 2010)*, (Washington, DC: November 2012), 7.

[7] Illinois State Board of Education, "Fact Sheet: Changing Illinois Public school Demographics and Education Funding" (March 2013: Springfield, IL).

[8] Illinois State Board of Education, *Division of Funding and Disbursement Services*, (October 2013: Springfield, IL). http://www.isbe.net/funding/pdf/gsa-historical.pdf.

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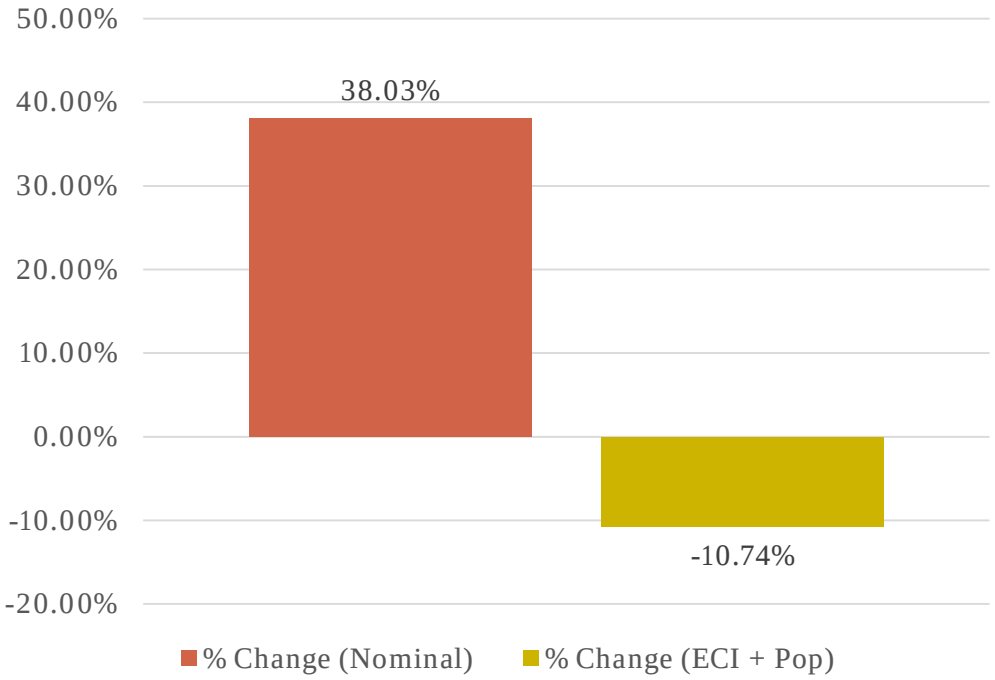
Testimony to Senate Education Funding Advisory Committee

Presented By:
Ralph M. Martire, Executive Director
Center for Tax and Budget Accountability
Monday, December 2, 2013

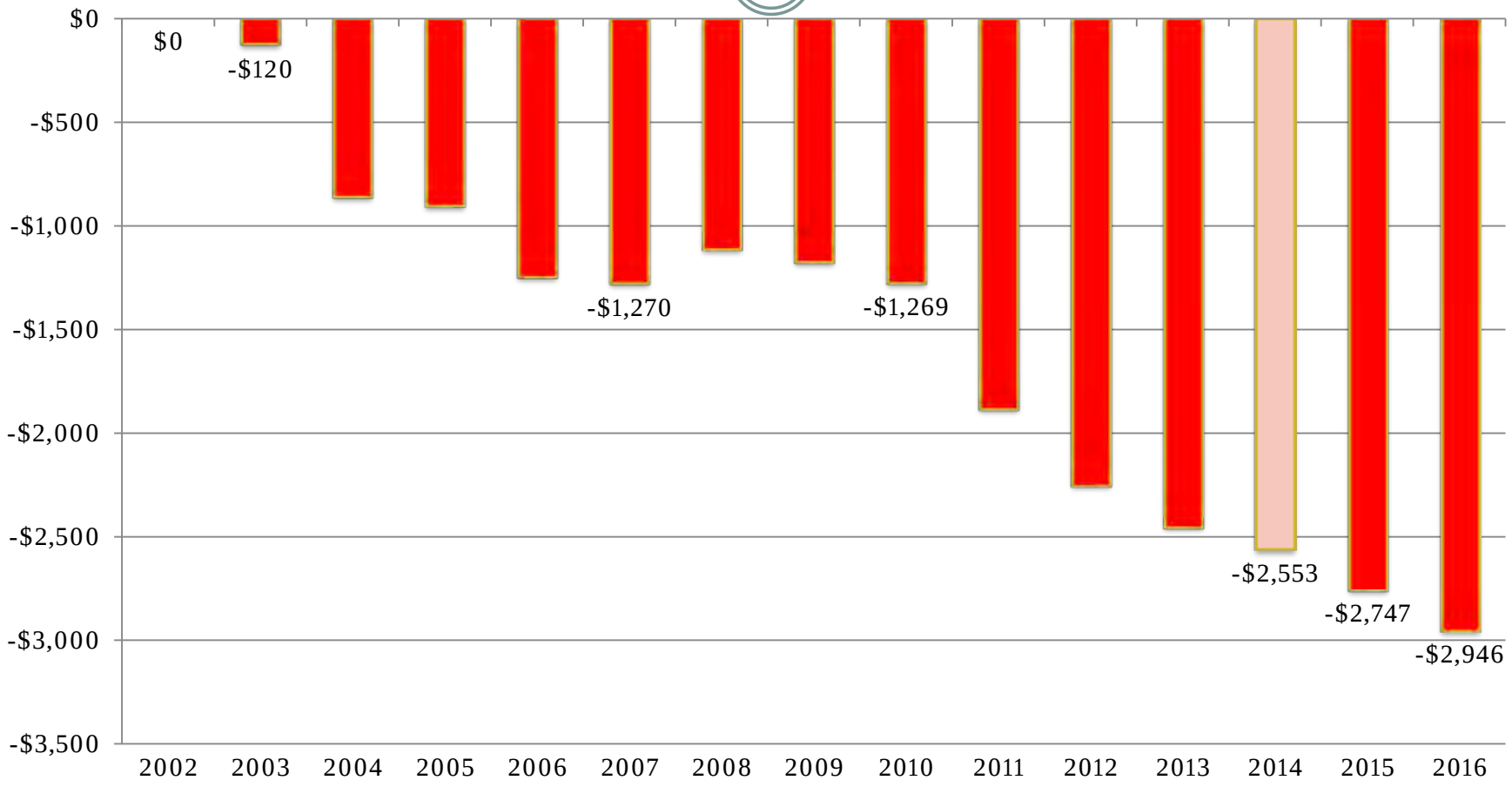
In Illinois, the State has been Cutting its Real Investment in K-12 Funding Since FY2000

Enacted PreK-12 Education Appropriations for FY2014 Compared to FY2000, Nominal and Adjusted for Inflation and Population Growth



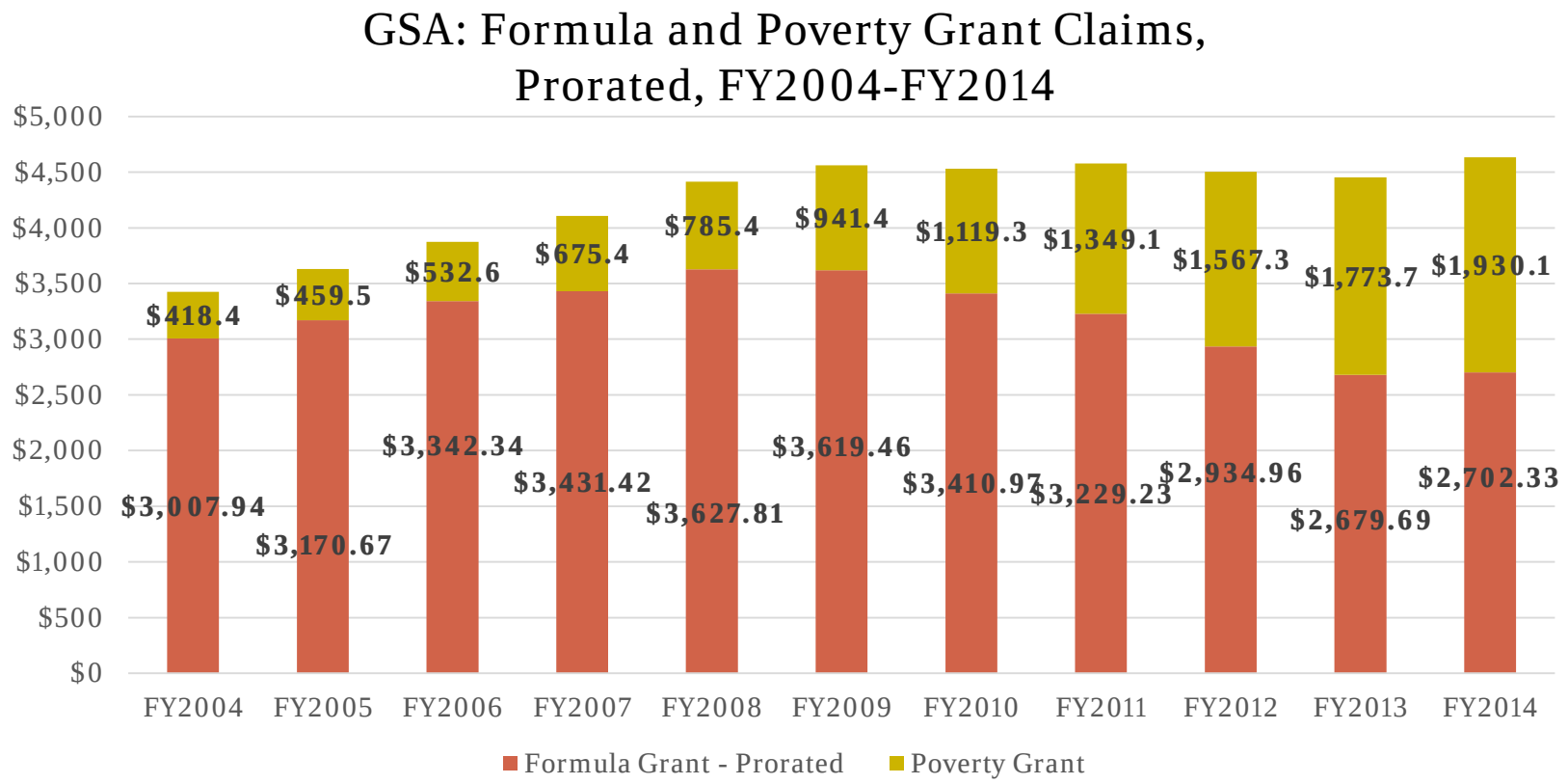
. . . Despite the fact that the overall level of education funding is inadequate under both the state's own and national standards.

Dollar Shortfall in State Per-Pupil K-12 Education Funding to Meet EFAB Adequate Education Standard by Fiscal Year



Sources: CTBA analysis of January 2013 EFAB data. Education Funding Advisory Board, *Illinois Education Funding Recommendations*, (Springfield, IL: January, 2013), p. 9.Appropriations adjusted using ECI and Midwest Medical Care CPI (for Healthcare) from the BLS as of January 2013, and population growth from the Census Bureau as of January 2013.

Despite Recent Increases, the Poverty Grant is Not Providing the Additional Support Poor Children Need

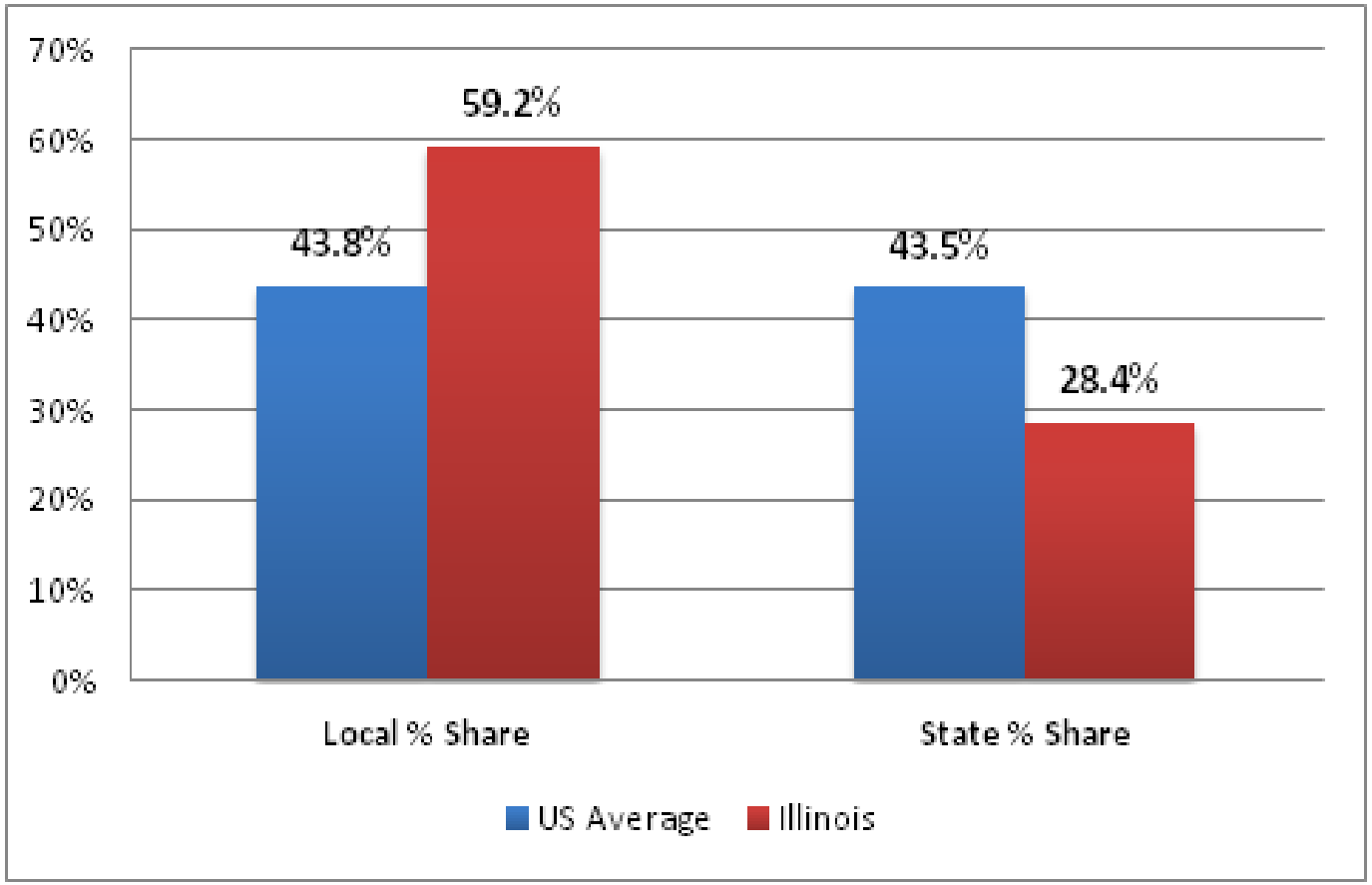


Poverty Grant

From 2009 – 2014, cuts in GSA Formula Grant of $917 million have offset 93% of the $988 million growth in the Poverty Grant.

	FY2009	FY2014	Change	% Change
Formula Grant Enacted	$3,619,456,292	$3,045,596,344	-$572,859,948	-15.8%
Formula Grant Prorated	$3,619,456,292	$2,702,330,957	-$917,125,344	-25.3%
Poverty Grant	$941,353,936	$1,930,104,474	$988,750,538	105%

Local and State Share of Education Funding Spending

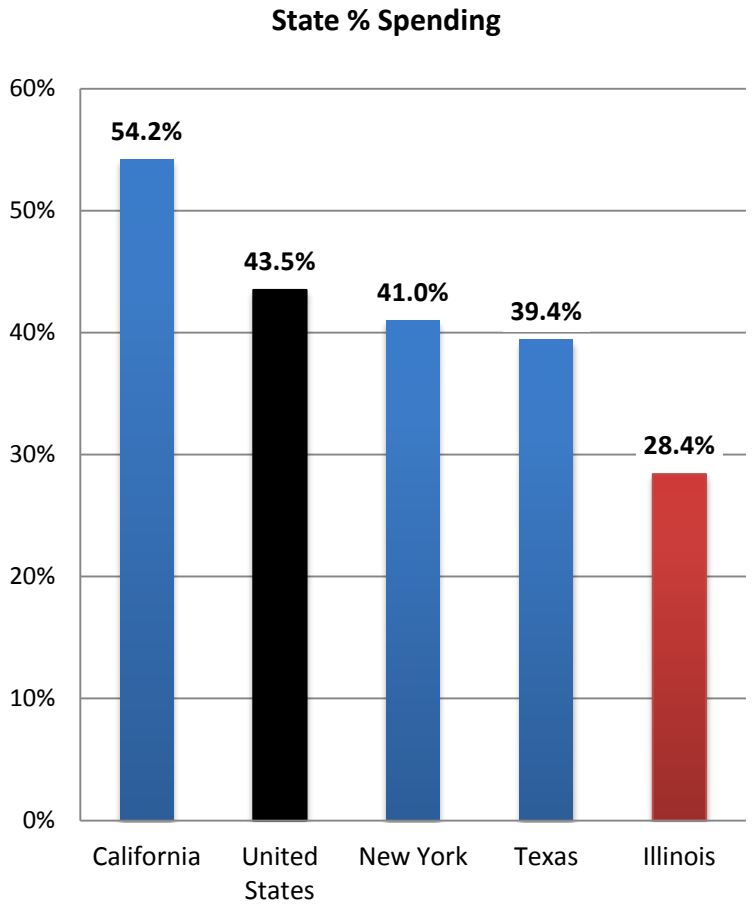


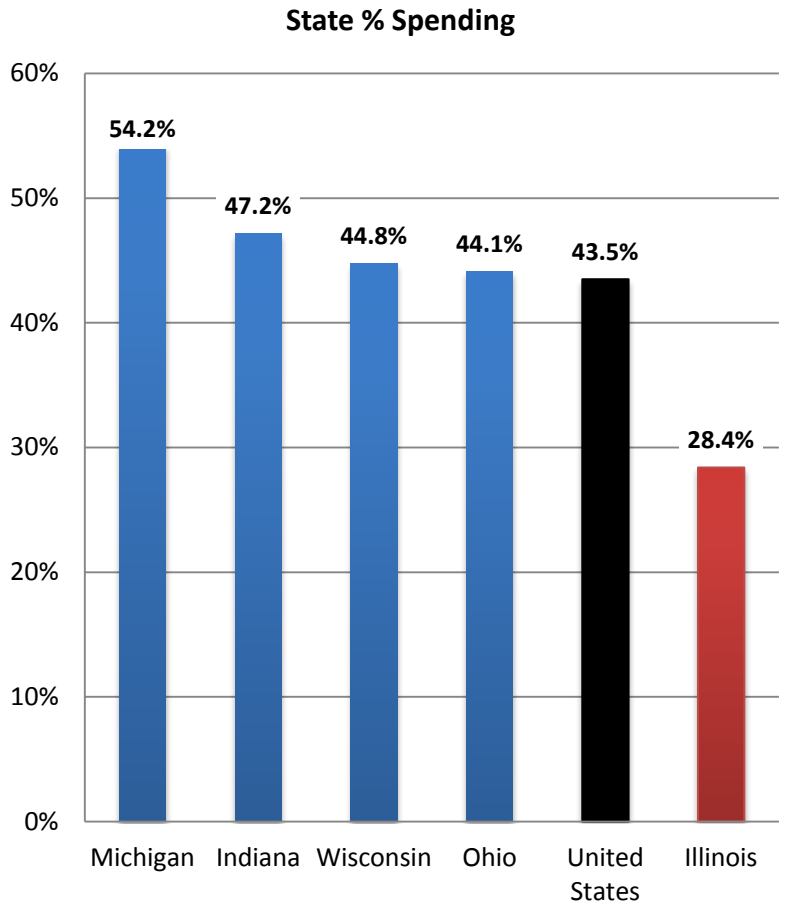
Source: U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2009-2010 (Fiscal Year 2010)* (Washington, DC: November 2012), 7.

Education Funding Levels in Illinois Trail National Averages

- Despite the significant portion of education funding local school districts have assumed, overall education funding levels in Illinois remain low compared to national averages.
- According to the National Association of State Budget Officers (**NASBO**), Illinois ranked 40th in per-capita education spending in FY2008 despite having the 17th highest per-capita income among the states.
- To move up to just "average" in per-capita spending (a ranking of 25th) among the states, the state appropriation for K-12 education—back in FY2008—would have had to have been $2.89 billion greater than it was.
- Rather than increase funding for education since FY2008, Illinois has cut it by $428 million.

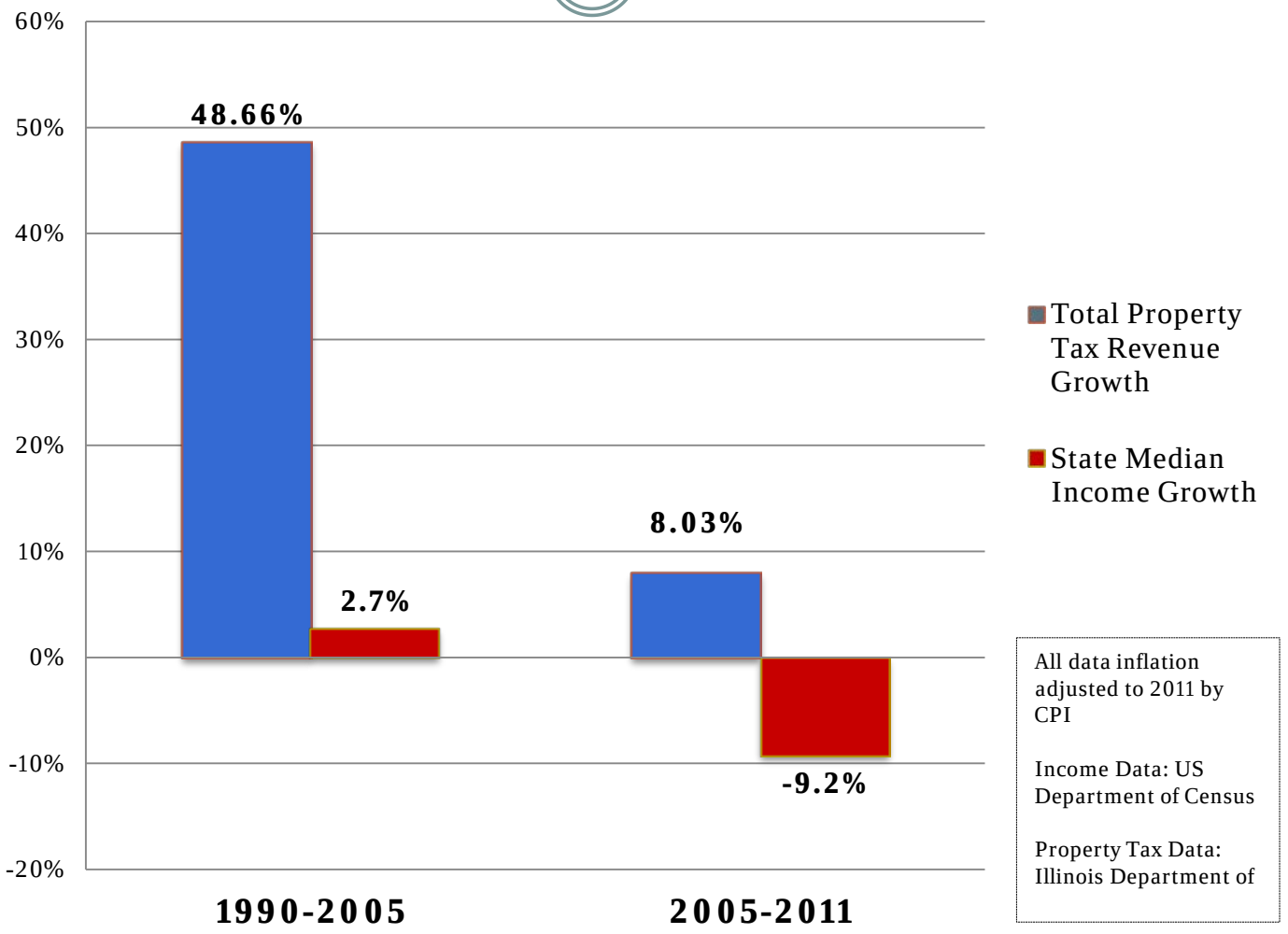
State Share of Education Funding



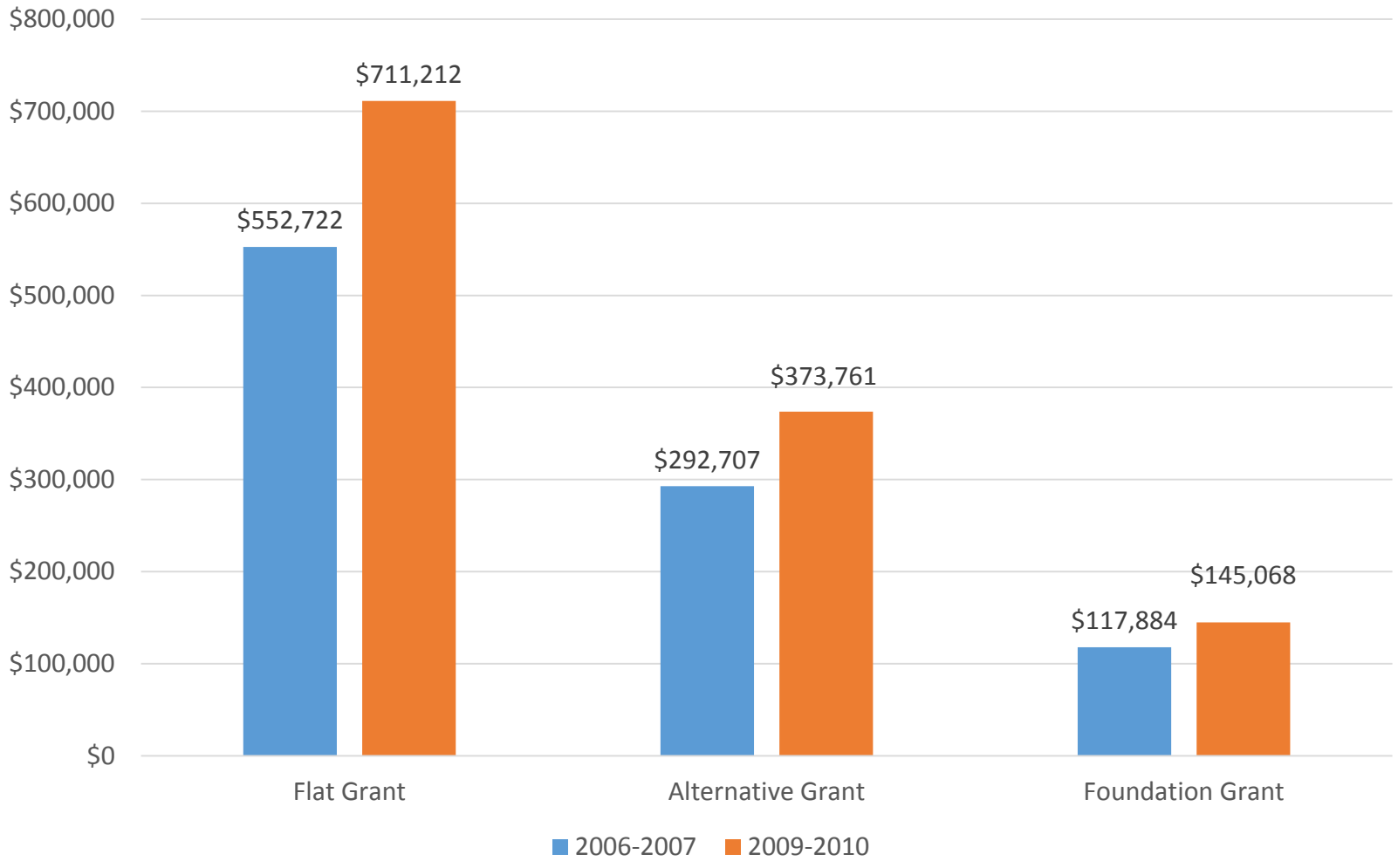


Source: U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2009-2010 (Fiscal Year 2010)*, (Washington, DC: November 2012).

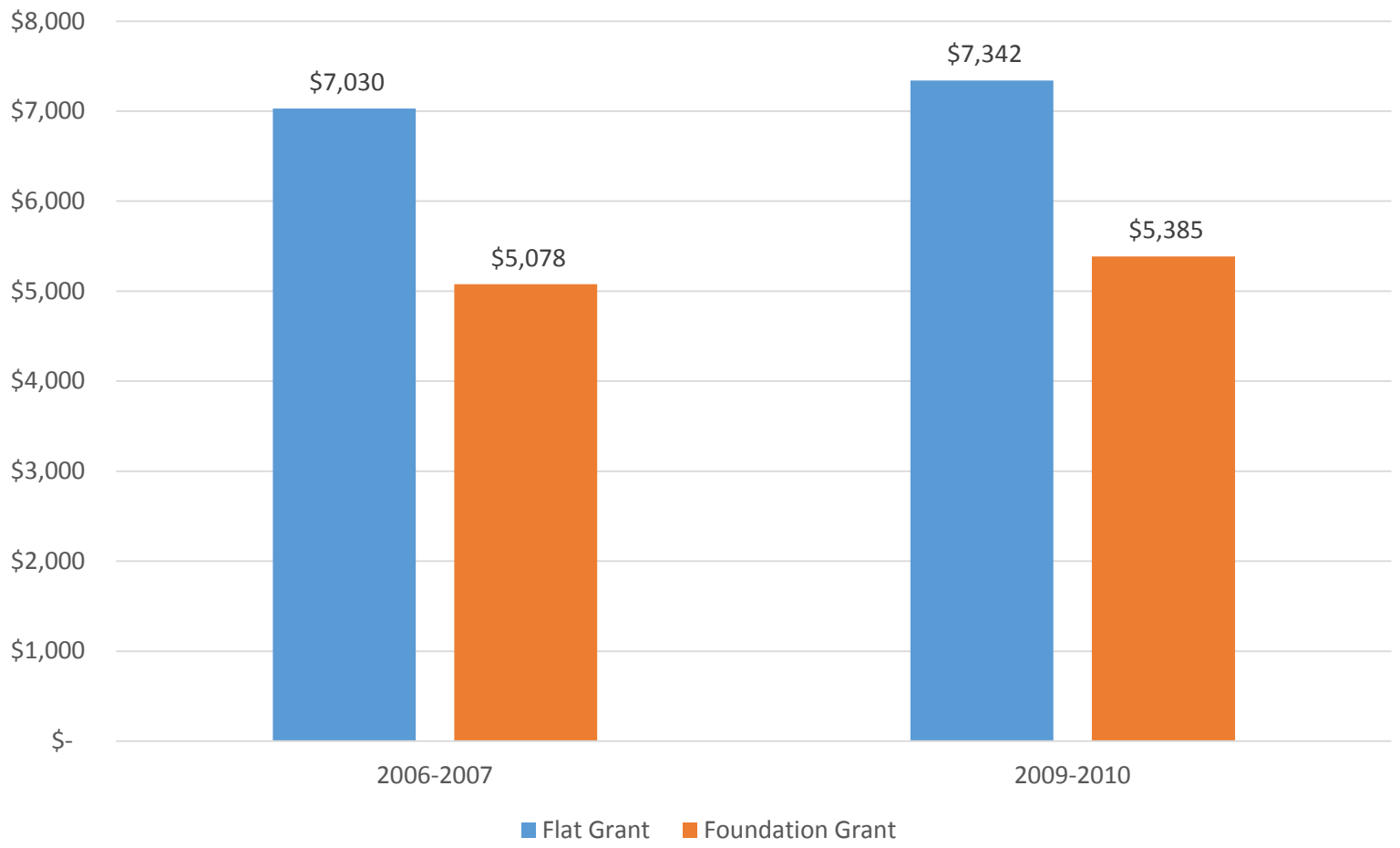
Illinois Total Property Tax Revenue Growth vs. State Median Income Growth



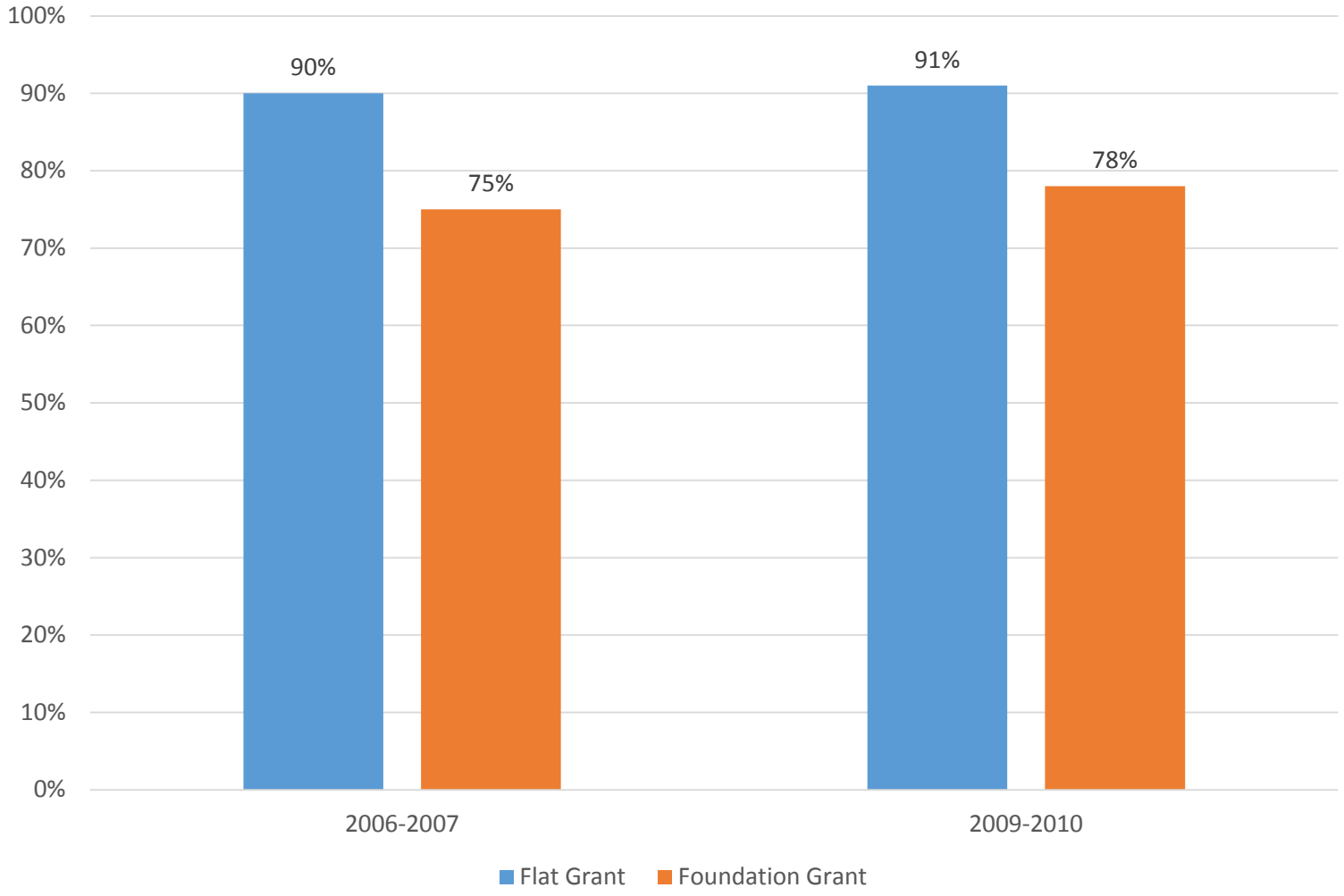
Equalized Assessed Value of Funding Type



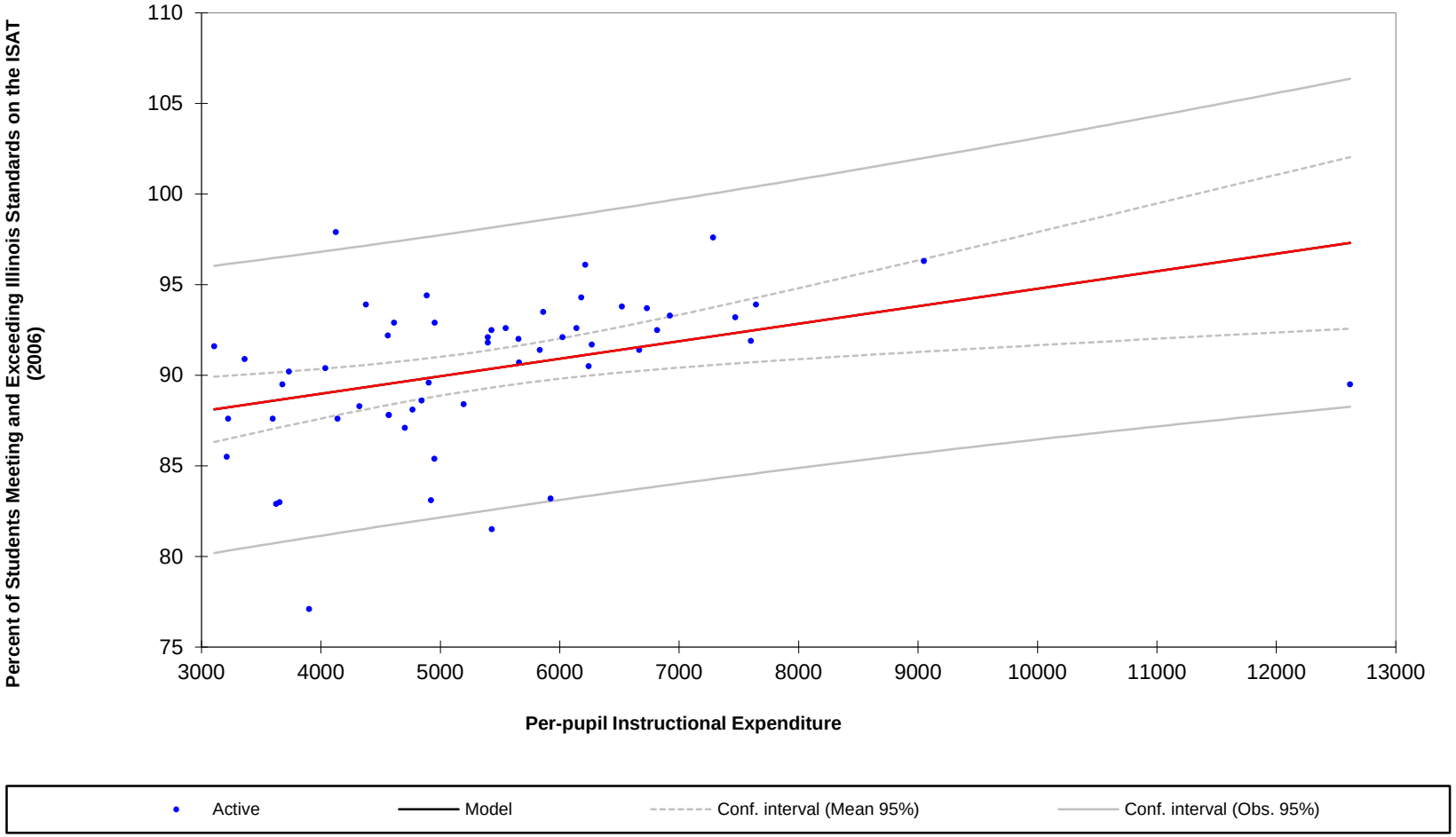
Differences in Per-Pupil Instructional Spending



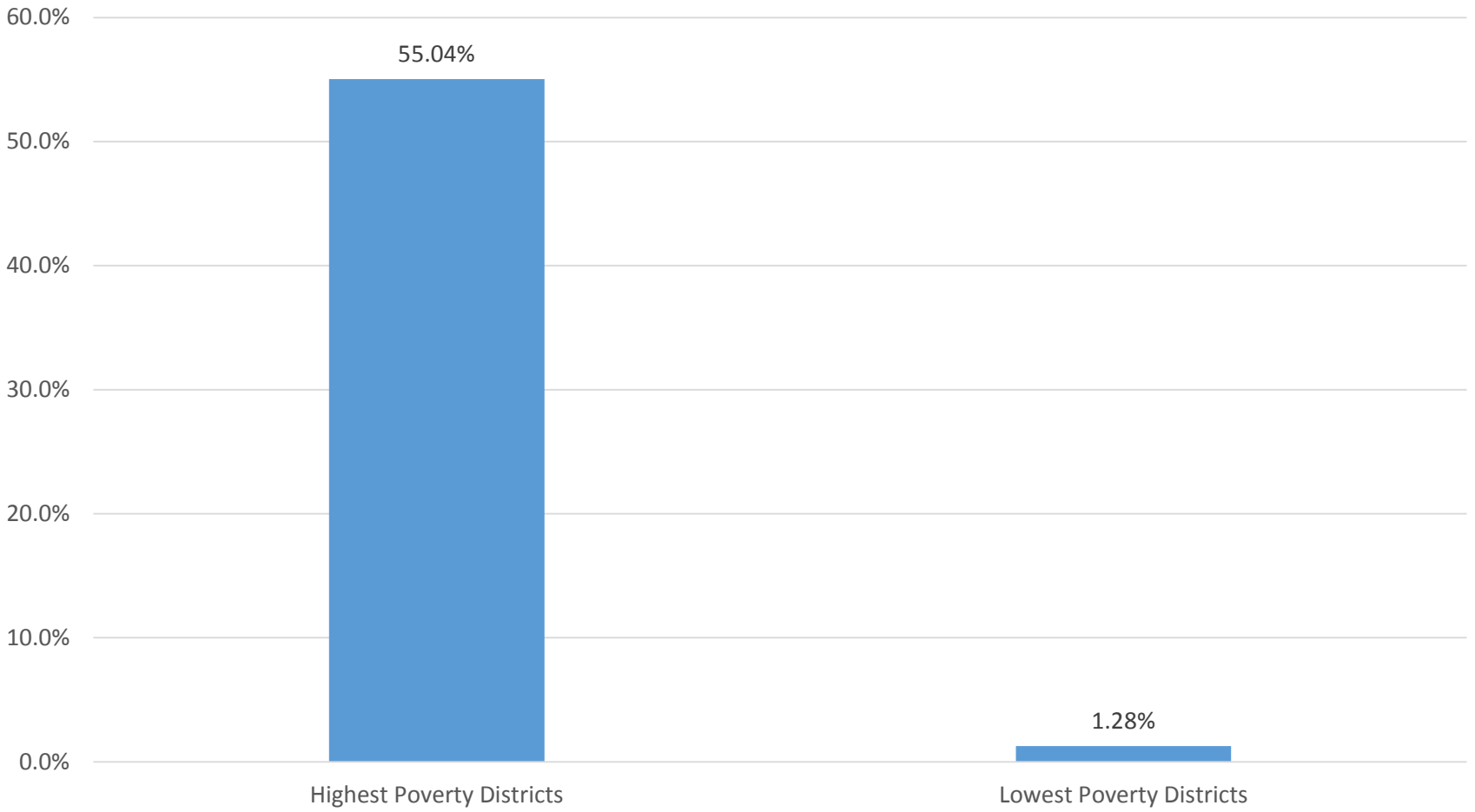
Percent Meeting and Exceeding ISAT Standards (Blended 3rd, 6th, and 84th Grade Composite Results)



Regression of ISAT Performance vs. Per-Pupil Instructional Expenditure for School Districts with 3-8% Low Income Rates



Percentage of African-American Students in High and Low Poverty Schools



Wages for Minorities Lag Whites

Real wages for Whites increased modestly between 1980 and 2010, but:

- The White-Hispanic wage gap is larger in amount, but increased by a smaller percentage, growing from $4.01 in 1980 to $5.86 in 2010, an increase of 46% over 1980
- Real wages for African-Americans declined. The hourly wage gap between Whites and African-Americans grew from $1.60 in 1980 to $3.08 in 2010, an increase of 92.3% over 1980

FY2014 Enacted General Fund Appropriations as Passed by the 98th General Assembly ($ Millions)

Category		Appropriation
(i)	**Total General Fund Appropriation for Capped Items (Net)**	**$35,697**
(ii)	**Total Hard Costs**	**$11,123**
	Debt Service (Pension & Capital Bonds)	$2,182
	Statutory Transfers Out	$2,878
	Pension Contributions	$6,063
(iii)	**Repayment of Bills**	**$50**
(iv)	**General Fund Service Appropriations (Gross)**	**$25,024**
	Healthcare (including Medicaid)	$7,171
	PreK Education	$300
	K-12 Education	$6,386
	Higher Education	$1,991
	Human Services	$4,996
	Public Safety	$1,648
	Group Health Insurance	$1,346
	Other	$1,185
(v)	**"Unspent Appropriations"**	**$500**
(vi)	**Net General Fund Service Appropriations**	**$24,524**

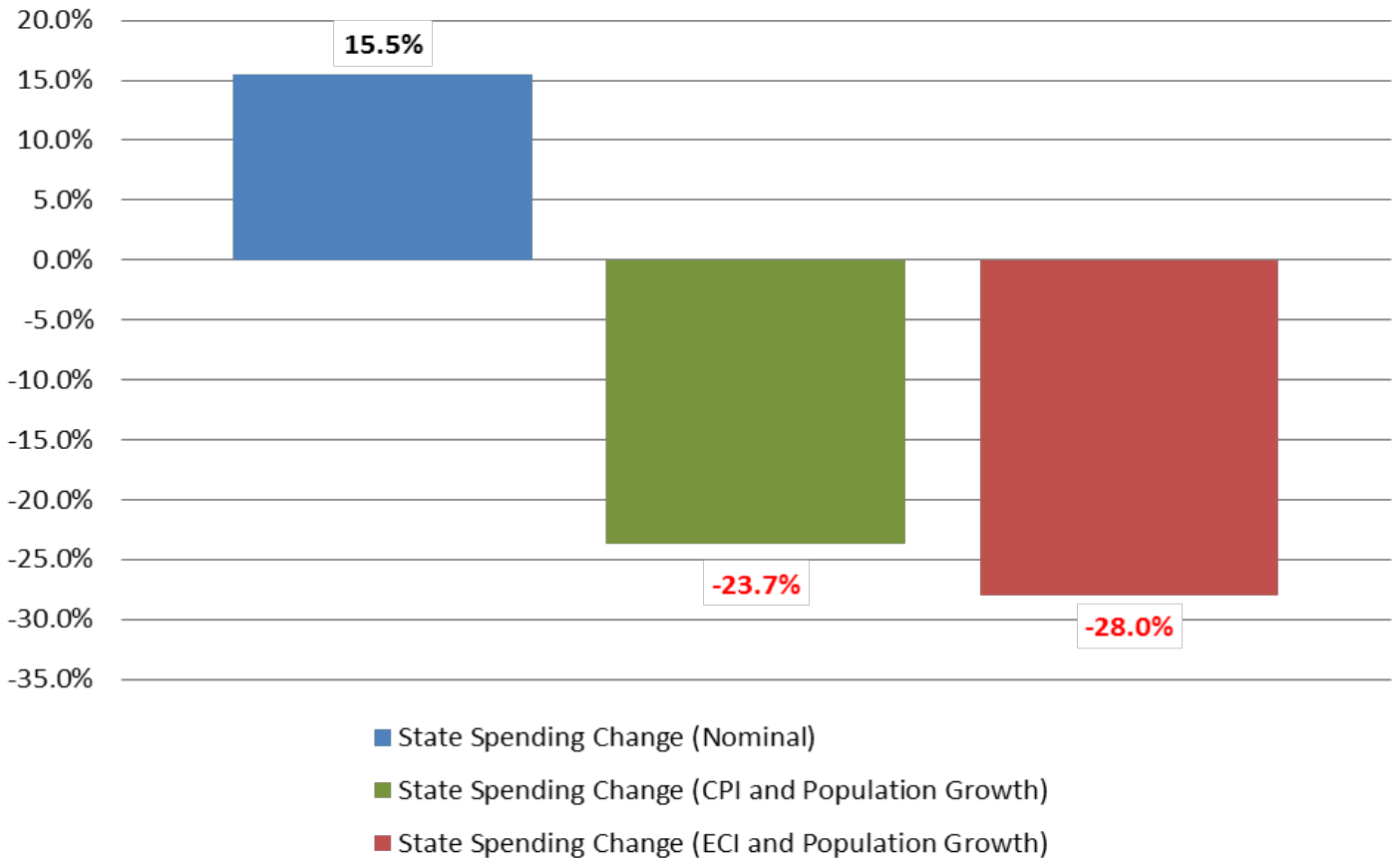
FY2014 Accumulated Deficit ($ Billions)

Category		HR-389 Revenue	COGFA Revenue
(i)	Projected FY2014 Revenue	$35.45	$35.08
(ii)	Projected FY2014 Hard Costs	$11.12	$11.12
(iii)	Projected Deficit Carry Forward from FY2013	$7.79	$7.79
(iv)	Projected Net FY2014 General Fund Revenue Available for Services	$16.54	$16.17
(v)	Projected Net General Fund Service Appropriations	$24.52	$24.52
(vi)	Estimated Minimum FY2014 General Fund Deficit	($7.98)	($8.35)
(vii)	Estimated Deficit as a Percentage of General Fund Service Appropriations	-32.54%	-34.05%

Source: Appropriations from and FY2014 CTBA analysis SB 2555, SB 2556, HB 206, HB 208, HB 213, HB 214, HB 215, passed by the 98th General Assembly; and hard costs from COGFA, *State Budget of Illinois Budget Summary: FY2014* (Springfield, IL: August1, 2013), 26.

This is the 23rd consecutive fiscal year with a General Fund deficit

FY2014 Enacted General Fund Services Appropriations (excluding Group Health & Pensions) Relative to FY2000, in Nominal and Adjusted for Inflation and Population Growth



Sources: FY2000 unadjusted appropriations from Governor's final budget summary for FY2000; and FY2014 CTBA analysis SB 2555, SB 2556, HB 206, HB 208, HB 213, HB 214, HB 215, passed by the 98th General Assembly. Inflation for healthcare inflated by Midwest Medical Care CPI; all other appropriations adjusted using ECI-C and Midwest CPI from the BLS as of January 2013, and population growth from the Census Bureau as of January 2013

Debt is the Driver

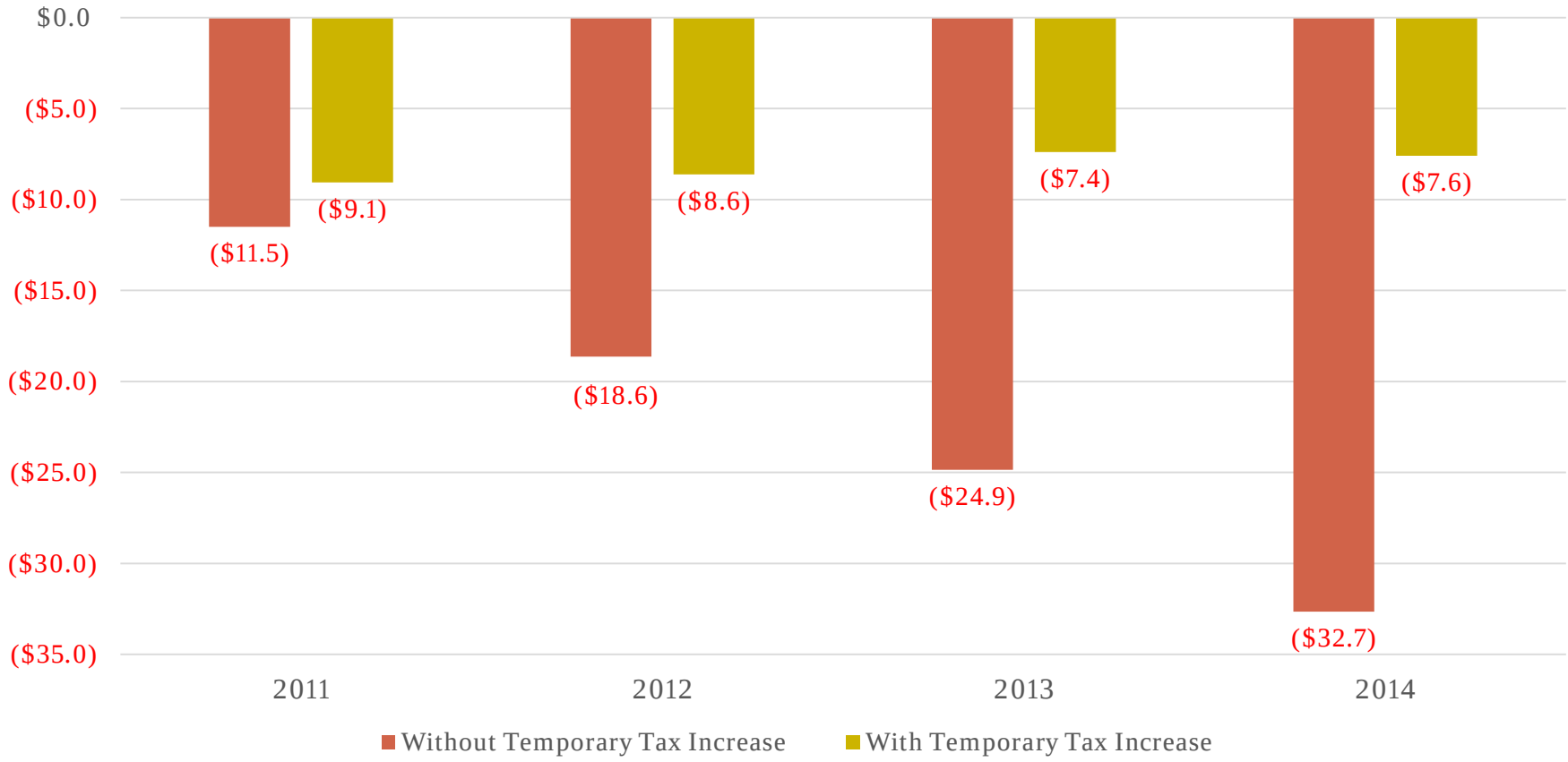
- The five retirement systems' unfunded liabilities of $95 billion was primarily caused by borrowing—not anything involving benefits or cost

Normal Cost vs. Debt Cost
General Fund Pension Contributions Fy2012-FY2014
($ Billions)

	FY2012	FY2013	FY2014
TOTAL	$4.14 B	$5.11 B	$5.99 B
NORMAL COST	$1.17 B	$1.10 B	$1.10 B
DEBT SERVICE	$2.97 b	$4.01 b	$4.89 b

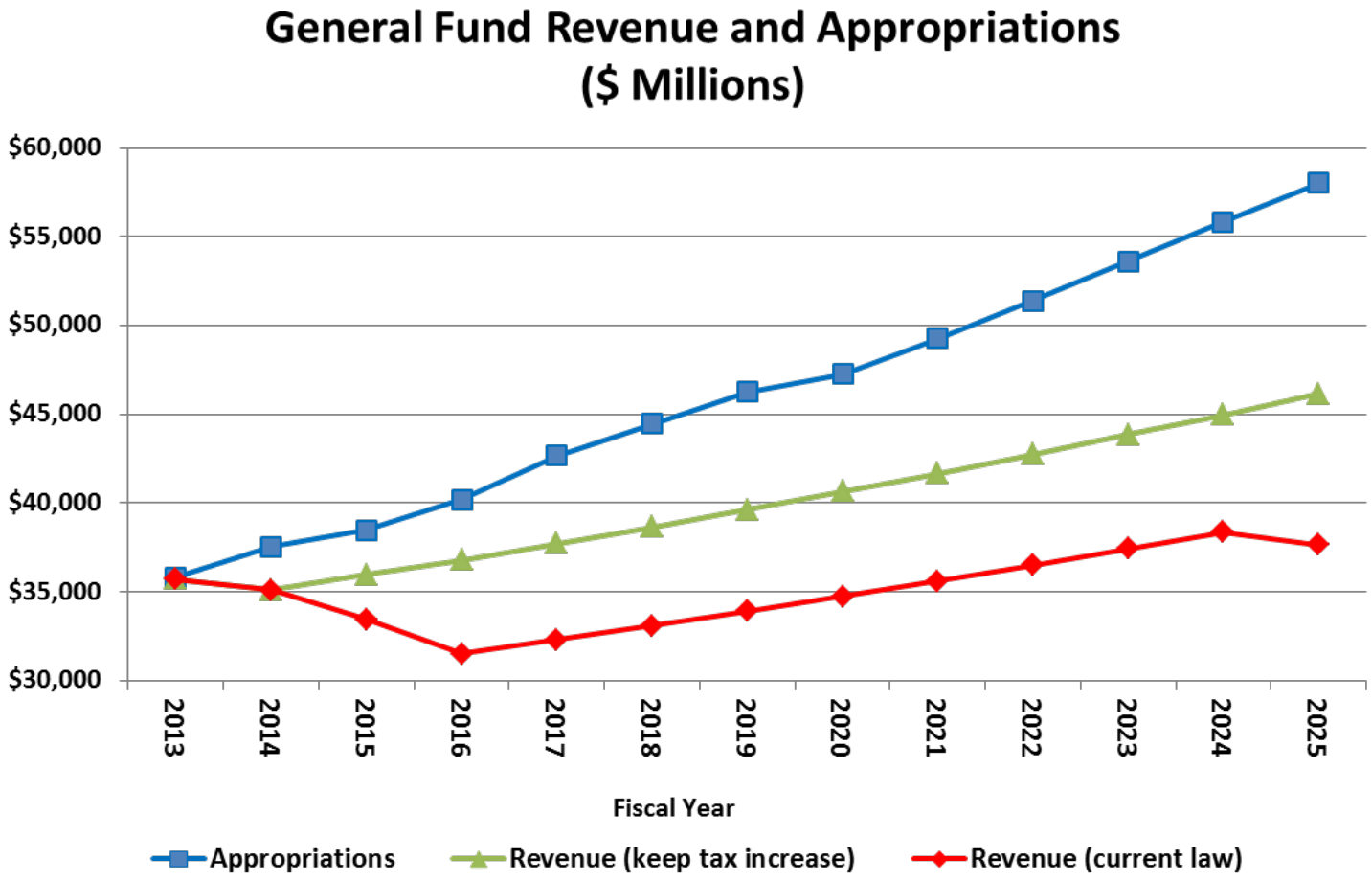
- The pensions would be almost 80% funded today if the only problems were inherent to the pension system itself

Impact of the Temporary Tax Increase on the Accumulated Deficit



Sources: CTBA calculations using total spending figures for FY2011 and FY2012 as reported in GOMB, *FY2013 Budget Book* (Springfield, IL: February 2012 2013), Ch. 2-18; total spending for FY2013 includes all supplementals; and spending for FY2014 as reported in COGFA, *State Budget of Illinois Budget Summary: FY2014* (Springfield, IL: August1, 2013), 26 for hard costs; and SB 2555, SB 2556, HB 206, HB 208, HB 213, HB 214, HB 215, passed by the 98th General Assembly; actual revenue for FY2011-FY2013 as reported by COGFA; and estimated revenue for FY2014 as estimated by COGFA in *FY2014 Economic Forecast and Revenue Estimate and FY2013 Revenue Update* (Springfield, IL: March 12, 2013).

Which Creates a Structural Deficit



The Solutions

- **General goals:**
  - **Implement a strategic, comprehensive approach for sustainable fiscal and education systems reform that:**
    - Is driven by evidence and best practices;
    - Bridges, rather than reinforces, ideological divides; and
    - Results in adequate fiscal capacity to fund K-12 education sufficiently, sustainably and equitably.

The Solutions

- **Specific Goals:**
  - **Education/Fiscal Reforms Should be Focused on:**
    - Moving to an evidence-based school funding formula;
    - Building collaboration/reducing competition;
    - Building the teaching profession;
    - Investing adequately in poorest schools on up, focusing on equity as core to excellence;
    - Investing in early childhood education, wrap-around services and overall education funding;
    - Enhancing induction/mentoring;
    - Building skills of principals;
    - Ensuring funding goes to K-12 thru “Lock-Box” type structure; and
    - Tying education to needed fiscal reforms.

Net Outcome

Building capacity so that every school provides high quality education tailored to meet student need.

For More Information

Center for Tax and Budget Accountability

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An Evidence-Based School Finance Solution for Illinois

Michelle Turner Mangan, Concordia University Chicago

Presentation to the
Illinois Senate Education Funding Advisory Committee

December 2, 2013

Forest Park, IL

What is the Evidence-Based Approach?

- Identifies how much money per pupil is needed to educate students in Illinois according to its proficiency standards.

What is the methodology behind the evidence-based approach?

- Draws from research and evidence-based best practices to identify those educational delivery strategies and their resource needs that are linked to student learning gains.
- Attempts to "back" each resource recommendation with reference to research and/or best practices
- Draws from several comprehensive school reform models, which are based on research-supported practices
- Can also draw from a synthesis of the best professional judgment panels

How is this approach different from previous attempts in Illinois?

- Costs out strategies based on rigorous research
- Objective, transparent model that allows schools and districts to see what staff their allocated resources should buy them
- Focuses the conversation on what it takes to sufficiently support students and teachers (not just a dollar amount)

What are the advantages?

- Produces detailed staffing for prototypic schools to address all key educational issues, with all proposals having a research and/or best practices base
  - Each element has an "evidence" rationale
- Provides resources to enable schools/districts to determine most effective educational strategy
- Draws from previous research and adequacy studies already conducted around the country
- Generally, additional costs are less than other approaches

What are the disadvantages?

- Should not "stand alone"
  - Needs a state panel of leading educators and policymakers to review and tailor to the Illinois state context
  - Implementation should be overseen so that key research-based elements are specifically targeted to fund those strategies
    - State, regional, district & school leadership around these strategies

What are some of the key resources in the evidence-based model?

- Intensive teacher training
  - Trainers
  - More professional development days for teachers
  - Instructional coaches in all schools, all levels
- Extended learning strategies
  - Tutoring, extended days, academic summer school, ESL help for ELL students, special education
- Full day kindergarten
- Smaller classes in K-3: 15
- Critical pupil support / parent outreach
- Technology for schools

How much does it cost?

- A comprehensive evidence-based school finance adequacy study was conducted in 2009 using 2007-08 data, which estimated the cost at $12,572 per pupil expenditures.
- Updated estimates using 2011-12 salary data* are calculated at **$13,103** per pupil:

Base Cost	$10,776 / EVERY pupil
Special Needs Cost	
ELL	$903 / ELL pupil
FRL	$3,479 / FRL pupil
SPED (census)	$700 / EVERY pupil
GATE	$25 / EVERY pupil

*Provided by Research on Social and Educational Change

How does this differ in cost from our current school funding model?

- Would need updated pupil FTEs to calculate current difference.

- In 2008:
  - Total difference = $3,540,486,139 (without hold harmless)
  - Per pupil difference = $1,750.04
  - District "Winners" = 696, "Losers" = 177

Conclusion

- The evidence-based adequacy model does not cap spending at an adequate amount; local districts are free to spend above the adequacy amount if they choose.

- The intent of the evidence-based adequacy model applied to Illinois is to provide a level of fiscal resources to enable *all* students to perform at high levels.

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ILLINOIS POLICY INSTITUTE

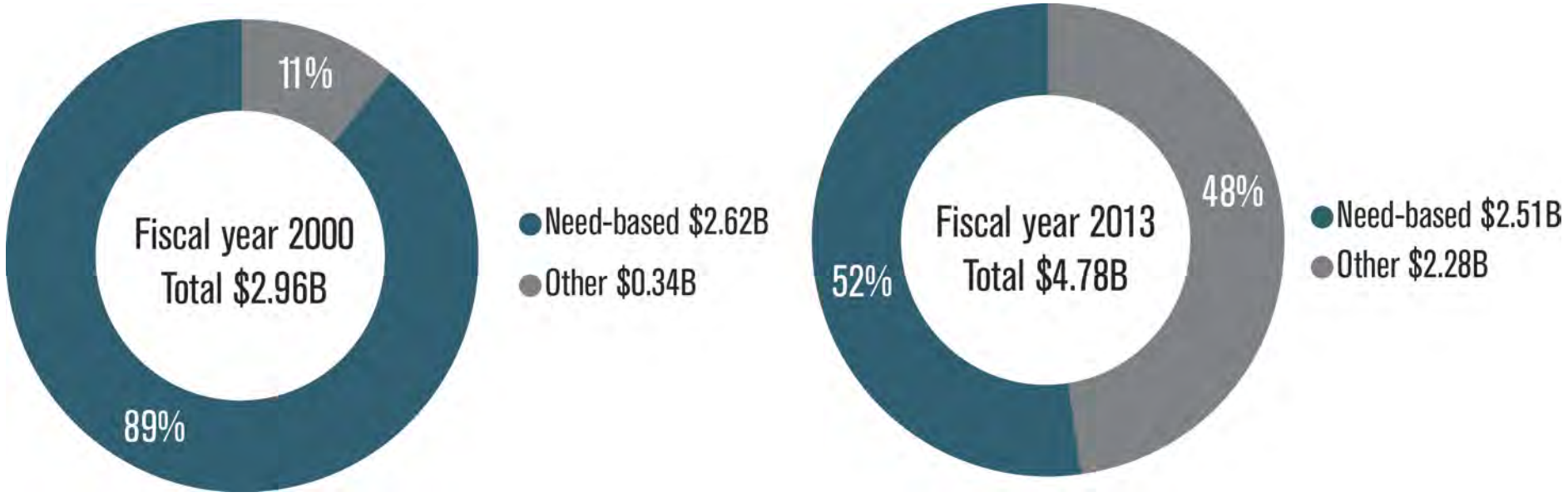
Reforming Education Funding in Illinois

Education Funding Advisory Committee

2 December 2013

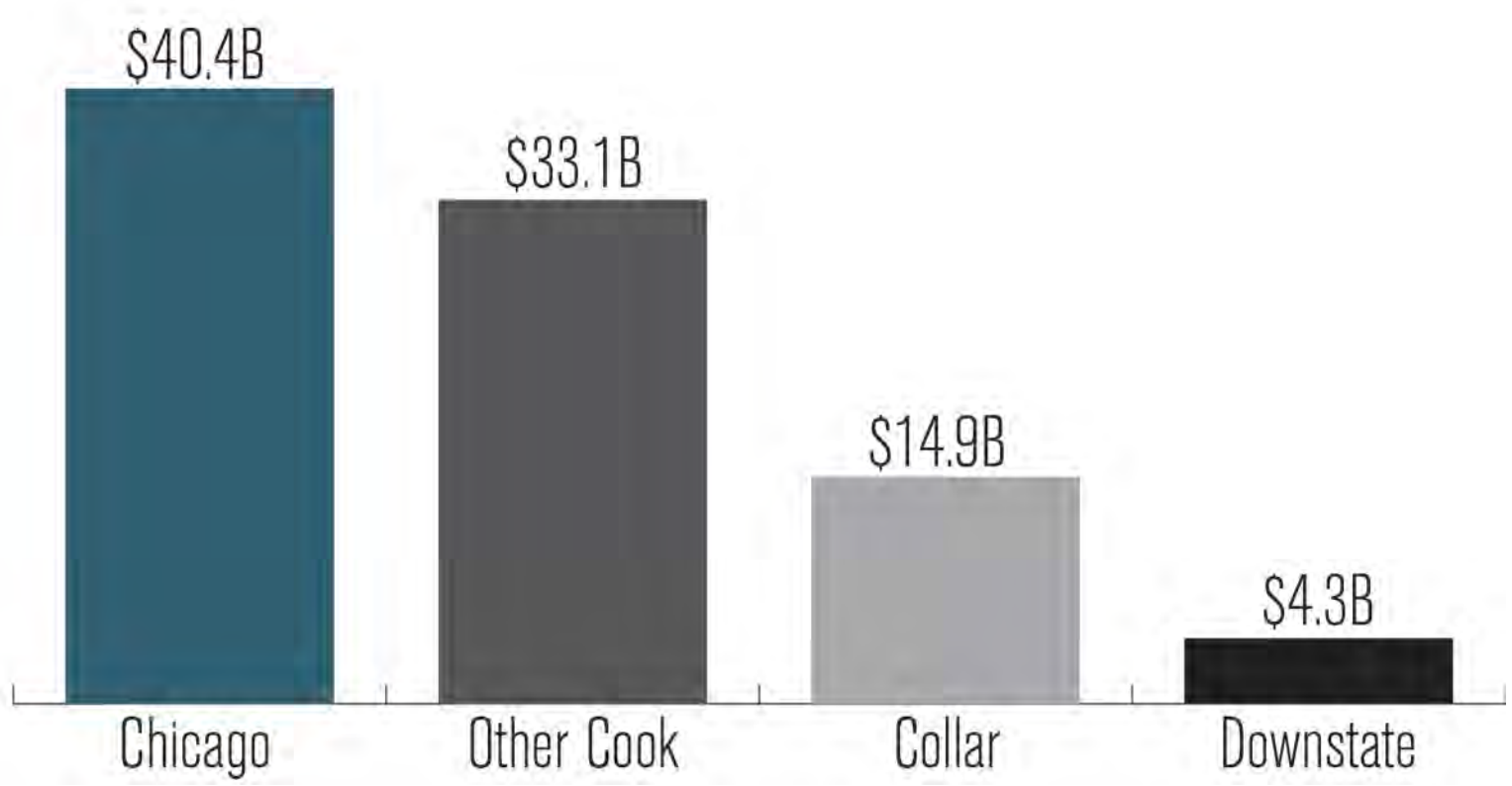
Funding for needy school districts dramatically reduced

In 2000, 90 percent of GSA aid went to property-poor school districts. Today, only half of every GSA dollar goes to these same districts.



Total property wealth excluded by region

Changes to the GSA funding formula allows certain districts to hide their property wealth. They are predominantly located in Cook County.



The PTELL subsidy

54 districts receive more than 90% of PTELL subsidies.

	District name	County	Total GSA claim with PTELL ($)	Total GSA claim without PTELL ($)	Embedded PTELL subsidy ($)
1	CITY OF CHICAGO SCHOOL DIST 299	COOK	1,209,433,450	925,881,071	283,552,379
2	CICERO SCHOOL DISTRICT 99	COOK	91,885,008	80,796,761	11,088,247
3	J S MORTON H S DISTRICT 201	COOK	38,172,958	27,553,970	10,618,988
4	BREMEN COMM H S DISTRICT 228	COOK	20,056,343	11,350,822	8,705,522
5	OAK PARK ELEM SCHOOL DIST 97	COOK	9,343,688	2,273,117	7,070,571
6	MAYWOOD-MELROSE PARK-BROADVIEW-89	COOK	34,195,828	27,175,895	7,019,933
7	ELMWOOD PARK C U SCH DIST 401	COOK	9,593,595	3,157,227	6,436,368
8	BERWYN SOUTH SCHOOL DISTRICT 100	COOK	16,714,283	10,373,512	6,340,771
9	AURORA WEST UNIT SCHOOL DIST 129	KANE	35,353,196	29,378,699	5,974,496
10	AURORA EAST UNIT SCHOOL DIST 131	KANE	91,368,393	85,767,521	5,600,872

The TIF subsidy

92% of TIF property is found in only 10 counties.

	Top 10 TIF counties	Property removed ($)	Percent of total
1	Cook	13,780,375,070	77.1
2	Will	454,709,927	2.54
3	DuPage	440,653,691	2.46
4	St. Clair	432,283,534	2.42
5	Madison	290,271,102	1.62
6	Lake	264,377,956	1.48
7	Kane	244,698,598	1.37
8	Rock Island	191,758,207	1.07
9	LaSalle	186,290,387	1.04
10	Champaign	159,987,836	0.89
	Top 10 counties	16,445,406,308	92.0
	Remaining 92 counties	1,431,240,484	8.0
	Total property removed	17,876,646,792	100

Poverty grants are not means-tested by district

Eliminating poverty grants for flat-grant districts would save $22.4 million.

Region	DHS low-income student population	Total Poverty Grant claim ($)	Avg Poverty Grant claim per low-income student ($)
Chicago	316,805	796,081,105	2,513
Other Cook	183,743	315,545,973	1,717
Collar	194,802	205,793,257	1,252
Downstate	311,398	456,302,618	1,343
Total:	1,006,749	1,773,722,953	1,762

Policy recommendations

- Create a simple, easy-to-understand funding formula
  - End PTELL subsidy
  - End TIF subsidy
  - Means-test for poverty grant
- Hold GSA constant
- Distribute GSA dollars to families instead of districts

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SPECIAL REPORT EDUCATION

Understanding Illinois' broken education funding system: a primer on General State Aid

By Ted Dabrowski, Vice President of Policy | Josh Dwyer, Director of Education Reform | John Klingner, Policy Research Analyst

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The problem

The focus of Illinois' current education funding system is not what's best for students – it's who controls the flow and distribution of taxpayer money.

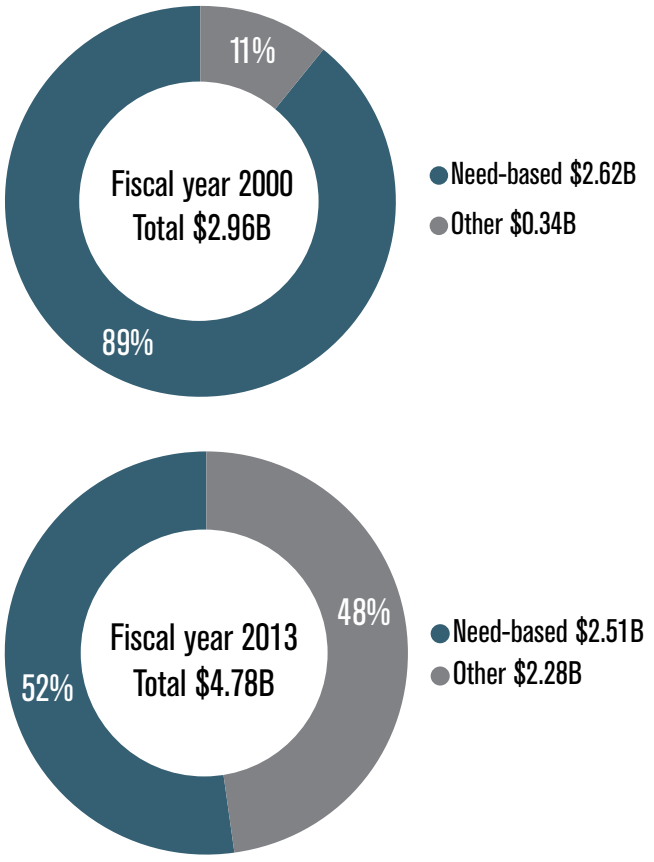
Nowhere is this more evident than in the state's General State Aid, or GSA, for education Illinois' largest single education appropriation for K-12 education.

Originally intended to support the state's neediest school districts, the $4.8 billion GSA has become, in a single decade, a twisted mess of formulas that provide large, special subsidies to a few select districts.[1]

Because of changes to GSA formulas, billions of dollars in special subsidies are flowing to Chicago and districts in Cook County and its collar counties.

As recently as 2000, the vast majority of GSA funds were distributed to school districts that demonstrated need. Nearly 90 percent of aid went to districts that lacked the local funds to meet the state's minimum funding standards.[2]

Graphic 1. Funding for needy school districts dramatically reduced *Distribution of General State Aid funds* (in billions of $)*



*Total net claim before adjustments **Source**: Illinois State Board of Education

Today, all that has changed. Only half of every GSA dollar goes to districts that demonstrate need.

This dramatic drop is the result of gamed and degraded funding formulas that have created new winners and unwitting losers as the state's education bureaucrats fight for control over money.

To appreciate who's winning, it's important to understand the two main factors that determine where GSA money goes: the amount of property wealth and the number of low-income children each district has.

Property wealth

The amount of property wealth in each school district determines the amount of taxes it can raise locally to finance its education needs. The less property wealth a district has, the more state funds it receives.

Take, for example, East St. Louis School District 189. It receives more than 70 percent of its funding from the state because it lacks adequate property wealth. On the other hand, New Trier School District 203, a property-wealthy district, receives only 3 percent of its funding from the state.[3]

But laws created in 2000 allowed some districts the opportunity to receive more GSA funding than they otherwise would. The laws allow a district, under certain conditions, to underreport the true amount of its property wealth. Lower property wealth means more GSA subsidies.

The problem is only a few districts can actually benefit from the law to receive more funds.

Since 2000, those changes have sent more than $6.4 billion in extra funding to the few districts that can take advantage of the law.

In 2013 alone, GSA will dole out more than $500 million of such subsidies, with just 40 districts – all of them in Cook County and the collar counties – grabbing almost the entire subsidy. Chicago's take is more than $280 million. In contrast, downstate districts receive just 3 percent of the total subsidies.

Low-income population

The second major factor driving the flow of GSA funds is the number of low-income children located in a district. The more low-income students a district has, the more state funds it receives, regardless of the district's ability to pay for education.

In 2000, the amount of GSA funds dedicated to support low-income children was just less than $300 million, or 10 percent of the total GSA. Today, support for low-income students has skyrocketed to $1.8 billion, or 37 percent of GSA.

Much like the previous case, GSA formulas were altered, dramatically increasing the number of children who are considered low-income.

These formula changes caused nearly all of Chicago and Rockford's student populations to be considered low-income. In 2000, 44 percent of students were considered poor in Chicago. Today that number exceeds 90 percent.

The low-income populations in Cook County, excluding Chicago, and the collar counties have increased more than 600 percent as a result of the changed methodology. That's driven increases in low-income funding to those regions at an extraordinary rate of more than 30 percent a year since 2000.

Meanwhile, low-income funding for downstate districts has grown at less than half the rate of Cook County and the collar counties.

Losing districts

Not every district receives subsides from changes made to education-funding laws.

Needy districts, such as Petersburg's Porta Community School District 202, which rely heavily on state funding, do not benefit from subsidies related to property wealth and low-income populations.

Comparing Petersburg's Porta Community School District 202 to Chicago School District 299 reveals the kind of funding disparities that are created by the current funding laws. Chicago receives more than $800 per student in subsidies related to changes in reporting property wealth. School District 202 receives no such subsidies.[4]

In addition, Chicago receives more than $2,500 in subsidies for every low-income student it has, while School District 202 receives only a quarter of that amount.

This isn't uncommon for downstate districts. These districts can't benefit from the formula changes in the same way Chicago, Cook County and its collar counties can.

The way forward

A system that benefits a few districts at the expense of all others can never work. And neither can a system in which the politically powerful control the flow and distribution of education dollars.

That's why solving this problem isn't about tweaking the formulas and making fixes so that political power can be equalized. To fix Illinois' broken education system, control over the flow and distribution of money needs to be taken away from politicians and given back to parents.

As long as bureaucrats control the system, it won't be about accountability or children – it will be about dollars and who gets them.

Overview of Illinois' education budget

Education spending is on the rise

Over the past two decades, education spending in Illinois has grown at a rapid pace. Since fiscal year 1993, state, local and federal spending has grown by nearly 200 percent, reaching $28.7 billion in fiscal year 2012 (see Appendix 1).[5] When adjusted for inflation, education funding grew by more than 73 percent during that period.

Education's three main funding sources have all contributed to the growth in funding since 1993:[6]

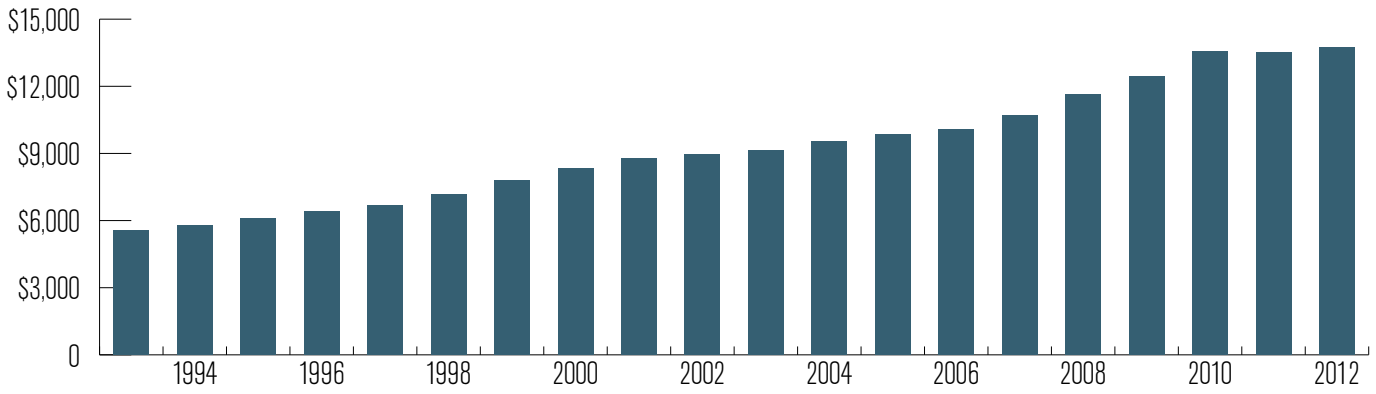
- Federal funding has grown 4.1 times to $3.6 billion.
- State funding has grown 2.7 times to $9.3 billion.
- Local spending has grown 2.6 times to $15.8 billion.

Total per-student spending is now at $13,748 – a 148 percent increase over the past 20 years. It has grown at an average rate of nearly 5 percent a year – faster than the 3.5 percent average annual inflation rate over the same time period.[7]

In 2011, Illinois had the 21st-highest per student spending in the nation.[8]

Graphic 2. Nominal Illinois per student funding has increased 148 percent over the last 20 years *Fiscal years 1993-2012*

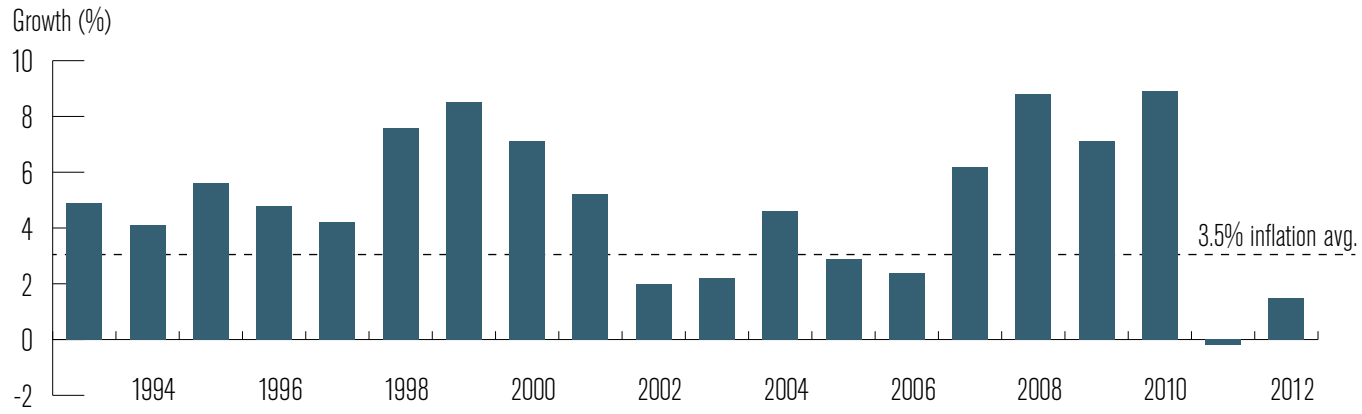
Local, state and federal funds



Note: *Number of students based on total enrollment* ***Source:*** *Illinois State Board of Education*

Graphic 3. Nominal Illinois per student funding growth averaged nearly 5 percent annually *Fiscal years 1993-2012*

Local, state and federal funds



Note: *Number of students based on total enrollment* ***Source****: Illinois State Board of Education*

As Illinois dedicates increasingly more resources to education, it's important to understand how these funds are distributed.

Distribution of state funds

The state has 862 school districts with varying amounts of local resources available to fund education. These districts are typically divided into four key geographic areas: Chicago; Other (suburban) Cook County; the collar counties (DuPage, Kane, Lake, McHenry and Will counties); and downstate.[9]

Table 1. Basic Illinois school district data *Fiscal year 2013*

Region	Number of districts	Number of students	Percent of total students
Chicago	1	349,470	18.4
Other Cook	143	355,884	18.7
Collar	143	547,141	28.8
Downstate	575	647,278	34.1
Total:	862	1,899,773	100

Note: *Number of students based on Average Daily Attendance* ***Source:*** *Illinois State Board of Education*

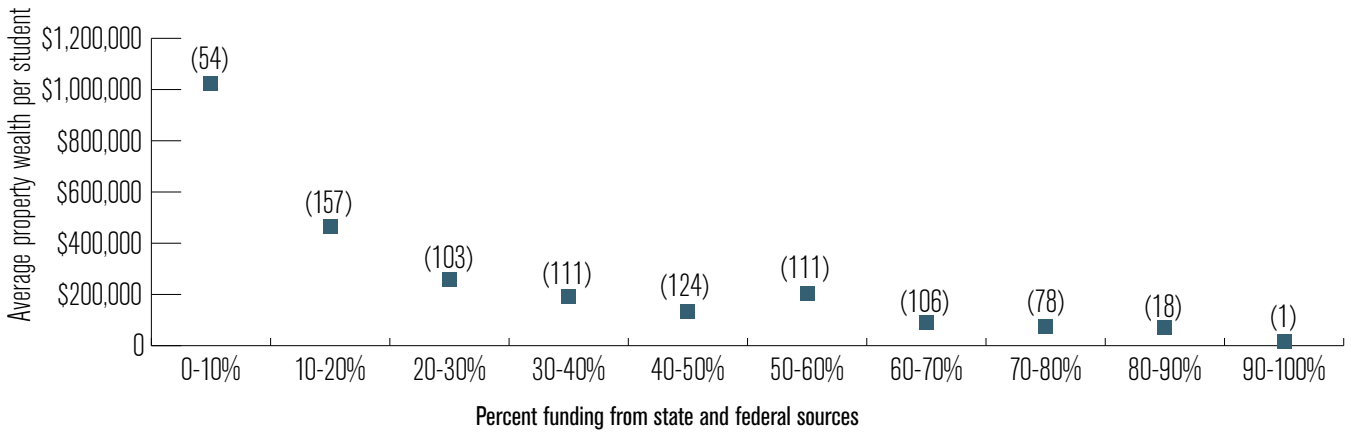
Critics of Illinois' education funding system often claim that school districts depend too much on local tax dollars to finance education. But the reality is districts unable to adequately fund education through local resources receive significant financial support from federal and state sources.

The amount of property wealth in each school district determines the amount of taxes it can raise locally to finance its education needs. The less property wealth a district has, the more state funds it receives.

The neediest districts, then, receive a majority of funding from state and federal sources (see Graphic 4).

Graphic 4. Property-poor districts receive majority of funding from state and federal sources

(Number of districts in parentheses) Fiscal year 2011



Source*: Illinois State Board of Education*

In contrast, wealthier school districts receive much less. The 211 districts that have the capacity to fund the majority of their education through local means, as measured by the amount of property wealth available, receive less than 20 percent of their funding from state and federal sources.[10]

For example, East St. Louis School District 189, one of the most property-poor districts in the state, receives 93 percent of its funding from federal (23 percent) and state (70 percent) sources. On the other hand, New Trier High School District 203, one of the state's most property-rich districts, receives only 4.5 percent of its funding from federal (1.2 percent) and state (3.3 percent) governments.

But Graphic 4 does not tell how the distribution of GSA funds has changed over time, or which districts are benefiting from changes in education-funding laws.

State spending breakdown

State spending makes up nearly a third of Illinois' total expenditure on education.

In addition to General State Aid, or GSA – the state's largest single appropriation for education – other state funds provide support in the form of grants for special education, transportation, orphanage tuition, early childhood education and more.

The $9 billion in fiscal year 2013 state spending also includes $2.7 billion in teacher pension contributions for downstate and suburban school districts (the rising costs of pensions and its crowd-out effect on funds for operations is not discussed in this paper. For details on the issue, please see the Illinois Policy Institute's Pensions vs. Schools series).[11]

Table 2. Illinois' state government appropriations for K-12 education – fiscal year 2013 Pro-rated enacted budget

(in millions of $)

General State Aid		4,287
Special education categoricals		1,523
Transportation	441	
Personnel reimbursements	440	
Children services	314	
Private tuition	207	
Orphanage tuition	111	
Summer school	10	
Other mandated categoricals		506
Early childhood education	300	
Regular/vocational transportation	206	
Teachers' Retirement System		2,714
Total state spending		9,030

Note: *This is the pro-rated enacted budget for 2013. The non-prorated 2013 GSA equals $4.8 billion. In all other sections of this report, GSA numbers are not prorated. Non-prorated numbers are used to show how GSA funds would be distributed if the GSA had been fully funded.*
Source: *ISBE fiscal year 2013 operating budget*

By far, the state's largest appropriation is GSA. At $4.29 billion in fiscal year 2013, it makes up 47 percent of total K-12 state education appropriations.[12]

Within GSA are two separate funding formulas: the Formula Grant and the Poverty Grant. These two formulas determine how GSA money is distributed to districts across the state.

Formula Grant

Not every district has the ability to pay for its own education expenses. Districts such as East St. Louis School District 189, Cicero School District 99 and Joliet School District 86 are unable to raise enough property tax revenue to meet state-mandated education funding levels.

That's where General State Aid, or GSA, steps in.

The goal of GSA, through the Formula Grant, is to ensure that every child in the state has access to a minimal level of education dollars. To accomplish this goal, the state sets a minimum level of spending per student. This is called the Foundation Level.

For fiscal year 2013, the Foundation Level was set at $6,119 per student.[13]

The state distributes GSA funds according to each district's ability to reach the Foundation Level. That ability is based on how much property value the district has within its borders and, at an assumed tax rate, how much it can generate in property tax revenues.[14]

If a district, such as East St. Louis or Joliet, is not fully able to generate enough local property tax revenue per student to reach the $6,119 Foundation Level, the state makes up the difference on a per-pupil basis.

The state also provides limited GSA funds even for districts that can raise more than $6,119 locally.

To determine how much each district receives, the state has separated districts into three distinct categories (see Appendix 2.1 for detailed methodology on the Foundation Level grant).

1. **Foundation districts** – Foundation formula districts are those that cannot raise enough local property tax revenue per student to reach the Foundation Level. These districts receive GSA funding to make up the difference between what the state assumes they can raise and the Foundation Level.[15]

   East St. Louis School District 189 is an example of a foundation district. It disproportionately depends on the state for its funding. Since the district is only able to raise $891 per student in local property tax revenue in fiscal year 2013, it receives the $5,228 difference per student in state funding.[16]

2. **Alternate districts** – Alternate formula districts have available local tax revenue per student between 93 percent and 175 percent of the Foundation Level. These districts receive significantly less state support than foundation formula districts, between $305 to $428 per student.

3. **Flat grant districts** – Flat grant districts have available local tax revenue per student that is 175 percent or greater than the Foundation Level. These districts almost exclusively pay for their own education expenses through locally raised property tax revenues. These districts receive $218 per student from GSA.

   New Trier High School District 203 is an example of a flat grant district. It raises $14,716 in local property taxes per student, which is more than two times the Foundation Level. It receives $218 per student from the state.[17]

The total amount of funds allocated by the Formula Grant portion of GSA in fiscal year 2013 totaled almost $3 billion, or nearly 63 percent of total GSA funds.[18]

As shown in Table 3, nearly all Formula Grant funds are distributed to the state's foundation districts.

Table 3. Formula Grant distribution

Fiscal year 2013

Region	Number of districts	Percent of total students	Poverty Grant funds recieved (in millions of $)	Percent of Poverty Grant funds
Foundation districts	620	71	1,617	91.2
Alternate districts	170	23	134	7.5
Flat grant districts	72	6	22	1.3
Total:	862	100	1,774	100

Note: *Number of students based on Average Daily Attendance* ***Source:*** *Illinois State Board of Education*

Poverty Grant

The second element of GSA funding involves state grants for districts with low-income children. Known as Poverty Grants, this money is provided because the state believes low-income students require more resources to educate.[19]

Poverty Grants are not distributed to districts based on their ability to pay for education. Instead, districts are given a certain amount of funding per low-income student based on the percentage of low-income students in the district's total student population.

The number of low-income children is determined by the Department of Human Services (see Appendix 2.3 for detailed methodology on the Poverty Grant).

The total amount of funds allocated to the Poverty Grant in fiscal year 2013 totaled nearly $1.8 billion, or 37 percent of GSA. Almost all of the funds were destined for the state's foundation districts.[20]

Table 4. Poverty Grant distribution

Fiscal year 2013

Region	Number of districts	Percent of total students	Poverty Grant funds recieved (in millions of $)	Percent of Poverty Grant funds
Foundation districts	620	71	1,617	91.2
Alternate districts	170	23	134	7.5
Flat grant districts	72	6	22	1.3
Total:	862	100	1,774	100

***Note**: Number of students based on Average Daily Attendance **Source**: Illinois State Board of Education*

General State Aid funds combined

Table 5, which combines both the Formula and Poverty grants, shows that 93 percent of the $4.8 billion GSA was allocated to foundation districts. These districts have the largest share of the student population, at 71 percent. The remainder went to districts that have the local means to pay for a majority of their own education expenses.[21]

Table 5. Most GSA funds flow to foundation districts

GSA funding distribution, fiscal year 2013

Region	Number of districts	Percent of total students	GSA funds received (in millions of $)	Percent of total GSA funds
Foundation districts	620	71	4,398	92.6
Alternate districts	170	23	305	6.4
Flat grant districts	72	6	46	1.0
Total:	862	100	4,749	100

***Note**: Number of students based on Average Daily Attendance **Source**: Illinois State Board of Education*

A look at Table 6 below shows how total GSA funds are distributed geographically. Chicago School District 299 receives the most GSA funds per student; more than $400 more per student than downstate districts receive.

Table 6. Chicago receives the most GSA funding per student

Fiscal year 2013

Region	Number of districts	Number of students	Percent of total students	GSA funds received (in millions of $)	Percent of GSA funds received	GSA funds per student ($)
Chicago	1	349,470	18.4	1,209	25.5	3,461
Other Cook	143	355,884	18.7	776	16.3	2,180
Collar	143	547,141	28.8	792	16.7	1,447
Downstate	575	647,278	34.1	1,972	41.5	3,047
Total:	862	1,899,773	100	4,749	100	2,500

***Note**: Number of students based on Average Daily Attendance **Source**: Illinois State Board of Education – 2012 Annual Report*

But these numbers don't tell the whole story. GSA contains loopholes, which create subsidies that substantially increase the amount of funding certain districts receive. For example, Chicago School District 299, without these loopholes, would be considered an alternate district and receive far less funding (see Appendix 3.2).

General State Aid subsidies

Because of changes to General State Aid, or GSA, laws over the past 15 years, billions in special subsidies are flowing to Chicago and districts in Cook County and its collar counties.

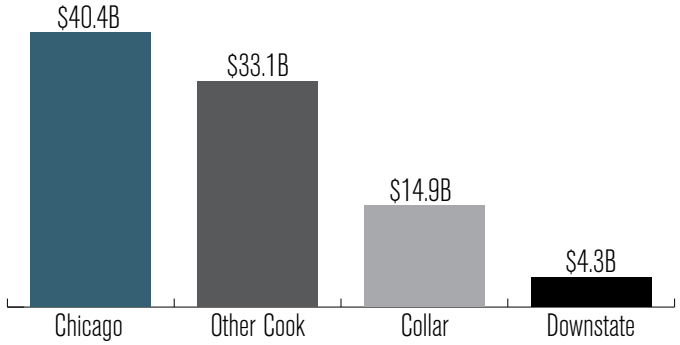
Some of these are the result of laws passed in 2000 that grant extraordinary subsidies to school districts whose revenues are negatively affected by both local property tax caps and special economic zones.

A second set of subsidies impacts how much a district receives in funding for its low-income students.

Lower-reported property wealth equals extra subsidies

Changes to the GSA formula allow certain districts to exclude significant amounts of property wealth when applying for GSA funding. Lower-reported property wealth means more GSA subsidies for those districts.

Graphic 5. Total property wealth excluded from GSA formulas by region *Fiscal year 2013*



***Note**: Cook County 7% percent property exclusion not included*
***Source**: Illinois State Board of Education*

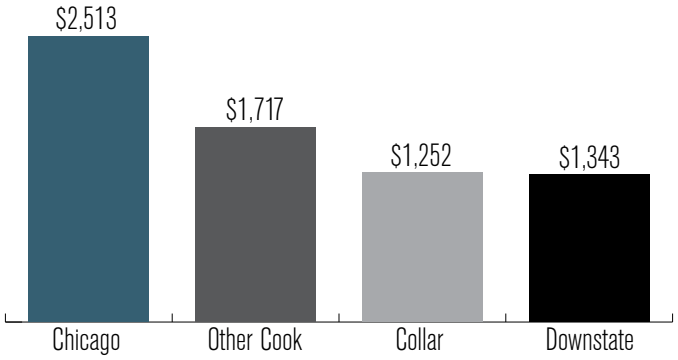
The region that benefits the most is Chicago, which excludes nearly 10 times the amount of property wealth downstate does, and more than twice as much as the collar counties. [22]

An increase in poverty count means a larger grant

The more low-income students a district has, the more state funds it receives, regardless of the district's ability to pay for its own educational expenses.

In 1999, the methodology to determine the number of low-income children in each district changed, leading to a dramatic increase in the number of Illinois children considered poor for GSA purposes. These changes, coupled with the fact that districts receive increasingly greater per-student funding as their low-income student population increases, have dramatically increased funding across all state regions.

Graphic 6. Poverty Grant per low-income student
Fiscal year 2013



Source: Illinois State Board of Education

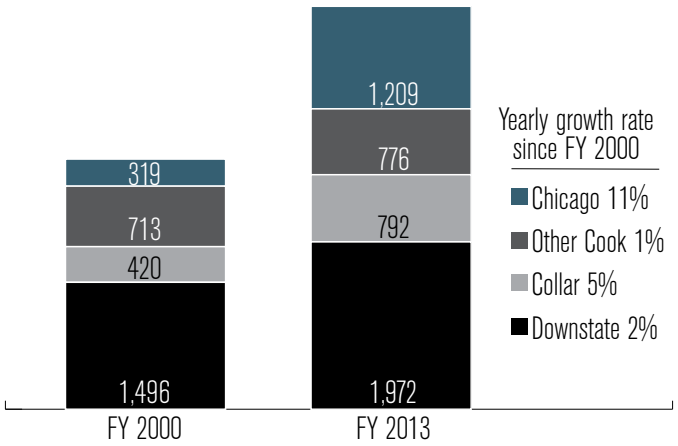
Chicago receives $2,513 of poverty funding per low-income student. That's almost double what downstate districts receive.

Chicago GSA funding grows five times faster than downstate

Due to growth in these subsidies, the wealthiest regions in Illinois have experienced a substantial increase in GSA funding since 2000.

Chicago School District 299's GSA funding has grown at a rate of 11 percent annually, a rate nearly six times higher than that of the downstate region. Districts in the collar counties have also experienced a high average annual growth of 5 percent, more than double that of downstate. Only Cook County, excluding Chicago, has an average growth rate below that of downstate districts.

Graphic 7. GSA funding for Chicago increased 11 percent annually between 2000 and 2013
(in millions of $)



Source: Illinois State Board of Education

Legislative adjustments to the General State Aid, or GSA, formula gives a district operating under property tax caps the opportunity to underreport its total property wealth. This results in a subsidy that only some districts can take advantage of. This subsidy is known as the Property Tax Extension Law Limit Adjustment.

Introduction of property tax caps

In the late 1980s – as home values rose – Illinois residents saw their property taxes increase substantially year to year.

To limit property tax growth, legislators passed a law that would limit a local government's ability to raise property tax revenues.

This law, passed in 1991, was called the Property Tax Extension Limitation Law, or PTELL. Initially, this law affected the collar counties (DuPage, Kane, Lake, McHenry and Will). In 1994, it was extended to Cook County. Since then, all Illinois counties have been able to hold referendums to determine whether or not to cap countywide property tax growth.[23]

PTELL limits a local government's increase in yearly tax revenues to 5 percent or the rate of inflation, whichever is lower. Tax levies greater than the capped amount can occur only through the passage of a local tax referendum.

Today, nearly 40 percent of Illinois counties are under tax caps.[24]

Property Tax Extension Limitation Law Adjustment

PTELL was successful in capping the growth of property tax revenues.

School districts in property tax-capped counties, however, complained that the PTELL laws limited their access to property tax revenues.

To compensate for this, the state created the PTELL Adjustment.

The PTELL adjustment allows districts operating under property tax caps to underreport the true amount of their property values by using a complex series of calculations reflecting the impact of the property tax caps. And since state aid goes up the more property poor a district is, the GSA amount to that district increases (For a complete examination of PTELL and the PTELL Adjustment, please consult Appendix 2.2).

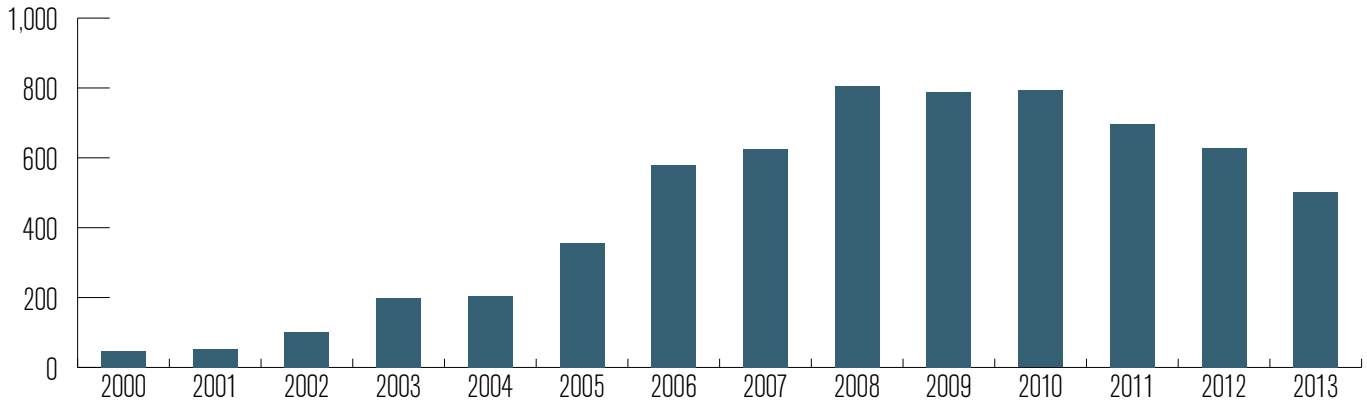
This particular GSA subsidy sends hundreds of millions of dollars yearly to a small group of school districts affected by self-imposed property tax caps.

For example, Chicago School District 299 has more than $88 billion worth of property within its borders. But because the district has a property tax cap, the funding formula assumes that Chicago has only $54 billion. This difference results in a $284 million GSA subsidy for the district (see Appendix 3 to see how the PTELL adjustment applies to Chicago District 299).[25]

The Chicago example highlights the dramatic shift of GSA funds toward property tax-capped districts. State funding for these districts has grown an alarming 991 percent since the law was enacted, to $502 million in fiscal year 2013 from $46 million in fiscal year 2000.[26]

Graphic 8. The PTELL adjustment has grown an average of 26 percent a year

Fiscal years 2000-2013



***Source**: Illinois State Board of Education*

While the PTELL adjustment has declined in recent years as a result of falling property values due to the housing crisis, it can be expected to increase as housing prices recover.

Why the Property Tax Extension Limitation Law Adjustment is harmful

The money Chicago School District 299 and other PTELL districts like it receive is nothing more than a multimillion-dollar subsidy.

It's understandable if residents of local governments don't want to pay higher property taxes. But these governments shouldn't expect a backdoor subsidy from state taxpayers if these governments refuse to manage spending under the limits imposed by local property tax caps.

In fiscal year 2013, 34 percent of all districts received a PTELL Adjustment subsidy. A majority of these districts, however, received only a small benefit.

But 54 districts received more than 90 percent of the $502 million subsidy in fiscal year 2013.[27]

Table 7. Number of districts benefiting from PTELL Adjustment

Fiscal year 2013

PTELL subsidy received	Number of districts	Total received (in millions of $)	Percent share of total
$1 million or more	54	459	91
Greater than zero but less than $1 million	238	43	9
No subsidy received	570	0	0
Total:	862	502	100

Source: Illinois State Board of Education

Table 8. 54 districts receive more than 90 percent of $502M PTELL subsidies

PTELL subsidy by district, fiscal year 2013

	District name	County	Total GSA claim with PTELL ($)	Total GSA claim without PTELL ($)	Embedded PTELL subsidy ($)
1	CITY OF CHICAGO SCHOOL DIST 299	COOK	1,209,433,450	925,881,071	283,552,379
2	CICERO SCHOOL DISTRICT 99	COOK	91,885,008	80,796,761	11,088,247
3	J S MORTON H S DISTRICT 201	COOK	38,172,958	27,553,970	10,618,988
4	BREMEN COMM H S DISTRICT 228	COOK	20,056,343	11,350,822	8,705,522
5	OAK PARK ELEM SCHOOL DIST 97	COOK	9,343,688	2,273,117	7,070,571
6	MAYWOOD-MELROSE PARK-BROADVIEW-89	COOK	34,195,828	27,175,895	7,019,933
7	ELMWOOD PARK C U SCH DIST 401	COOK	9,593,595	3,157,227	6,436,368
8	BERWYN SOUTH SCHOOL DISTRICT 100	COOK	16,714,283	10,373,512	6,340,771
9	AURORA WEST UNIT SCHOOL DIST 129	KANE	35,353,196	29,378,699	5,974,496
10	AURORA EAST UNIT SCHOOL DIST 131	KANE	91,368,393	85,767,521	5,600,872
11	INDIAN SPRINGS SCHOOL DIST 109	COOK	10,183,593	4,791,928	5,391,665
12	THORNTON TWP H S DIST 205	COOK	30,553,817	26,091,355	4,462,462
13	LINCOLN WAY COMM H S DIST 210	WILL	7,593,236	3,211,754	4,381,482
14	BERWYN NORTH SCHOOL DIST 98	COOK	20,474,002	16,098,743	4,375,259
15	PRAIRIE-HILLS ELEM SCH DIST 144	COOK	15,132,259	10,778,543	4,353,716
16	VALLEY VIEW CUSD #365U	WILL	20,948,190	16,929,426	4,018,765
17	JOLIET SCHOOL DIST 86	WILL	58,445,377	54,632,992	3,812,386
18	BELLWOOD SCHOOL DIST 88	COOK	11,778,733	8,417,471	3,361,262

continued on page 14

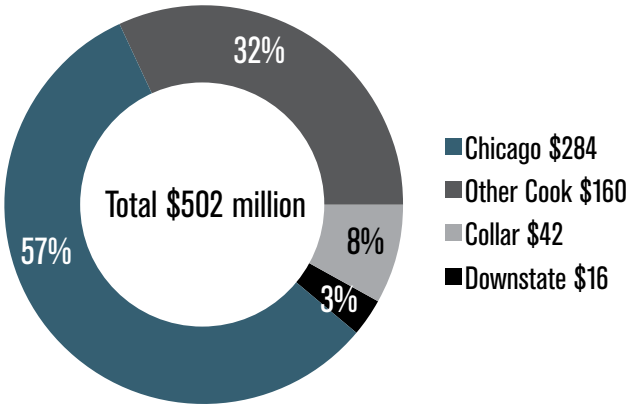
continued from page 13

	District name	County	Total GSA claim with PTELL ($)	Total GSA claim without PTELL ($)	Embedded PTELL subsidy ($)
19	RICH TWP H S DISTRICT 227	COOK	11,840,626	8,506,256	3,334,371
20	BERKELEY SCHOOL DIST 87	COOK	8,450,437	5,246,828	3,203,609
21	DOLTON SCHOOL DISTRICT 149	COOK	17,875,525	14,679,772	3,195,753
22	FLOSSMOOR SCHOOL DISTRICT 161	COOK	4,513,684	1,437,945	3,075,739
23	HOMEWOOD SCHOOL DISTRICT 153	COOK	4,052,430	1,093,467	2,958,963
24	MIDLOTHIAN SCHOOL DIST 143	COOK	8,544,453	5,698,672	2,845,781
25	THORNTON FRACTIONAL T H S D 215	COOK	14,516,623	11,695,544	2,821,079
26	FOREST RIDGE SCHOOL DIST 142	COOK	3,629,034	1,020,799	2,608,235
27	HOMEWOOD FLOSSMOOR C H S D 233	COOK	7,378,634	4,822,194	2,556,441
28	HARVEY SCHOOL DISTRICT 152	COOK	17,959,119	15,443,996	2,515,123
29	MATTESON ELEM SCHOOL DIST 162	COOK	8,257,064	5,794,515	2,462,548
30	COUNTRY CLUB HILLS SCH DIST 160	COOK	6,602,077	4,191,826	2,410,251
31	ARBOR PARK SCHOOL DISTRICT 145	COOK	3,914,241	1,579,351	2,334,889
32	CHICAGO HEIGHTS SCHOOL DIST 170	COOK	20,613,285	18,356,689	2,256,596
33	CHICAGO RIDGE SCHOOL DIST 127-5	COOK	5,736,121	3,499,307	2,236,814
34	COOK COUNTY SCHOOL DIST 130	COOK	11,069,445	8,867,460	2,201,985
35	COMMUNITY HIGH SCHOOL DIST 155	MCHENRY	7,562,640	5,411,357	2,151,282
36	SUNNYBROOK SCHOOL DISTRICT 171	COOK	3,852,352	1,919,001	1,933,351
37	BLOOM TWP HIGH SCH DIST 206	COOK	13,138,933	11,241,682	1,897,252
38	POSEN-ROBBINS EL SCH DIST 143-5	COOK	12,476,421	10,592,335	1,884,086
39	SCHAUMBURG C C SCHOOL DIST 54	COOK	8,282,877	6,534,472	1,748,406
40	GRAYSLAKE C C SCHOOL DISTRICT 46	LAKE	7,039,053	5,319,893	1,719,160
41	CONS HIGH SCHOOL DISTRICT 230	COOK	5,556,834	3,838,082	1,718,752
42	BROOKWOOD SCHOOL DIST 167	COOK	3,886,795	2,333,556	1,553,240
43	ROUND LAKE AREA SCHS - DIST 116	LAKE	37,861,329	36,418,073	1,443,256
44	BOURBONNAIS SCHOOL DIST 53	KANKAKEE	6,003,421	4,593,038	1,410,383
45	PARK FOREST SCHOOL DIST 163	COOK	10,537,218	9,216,134	1,321,084
46	COMMUNITY HIGH SCHOOL DIST 218	COOK	6,964,364	5,645,026	1,319,338
47	CALUMET CITY SCHOOL DISTRICT 155	COOK	7,531,881	6,280,212	1,251,670
48	GAVIN SCHOOL DIST 37	LAKE	2,027,411	798,884	1,228,527
49	STEGER SCHOOL DISTRICT 194	COOK	4,916,936	3,702,145	1,214,791
50	BIG HOLLOW SCHOOL DIST 38	LAKE	1,988,876	827,070	1,161,806
51	CALUMET PUBLIC SCHOOLS DIST 132	COOK	7,184,060	6,035,420	1,148,640
52	EVANSTON C C SCHOOL DIST 65	COOK	4,545,126	3,403,903	1,141,224
53	WOODSTOCK C U SCHOOL DIST 200	MCHENRY	5,966,189	4,840,850	1,125,340
54	LA GRANGE SCHOOL DIST 102	COOK	2,246,503	1,174,773	1,071,730
	Total:		2,045,747,970	1,586,721,334	459,026,636

***Source**: Illinois State Board of Education*

All but one of those 54 districts are located in Cook County and its collar counties. Districts in these regions received 97 percent of the subsidy, with only 3 percent dedicated to downstate school districts.

Graphic 9. Nearly 97 percent of 2013 PTELL subsidies went to Cook County and collar counties *(in millions of $)*



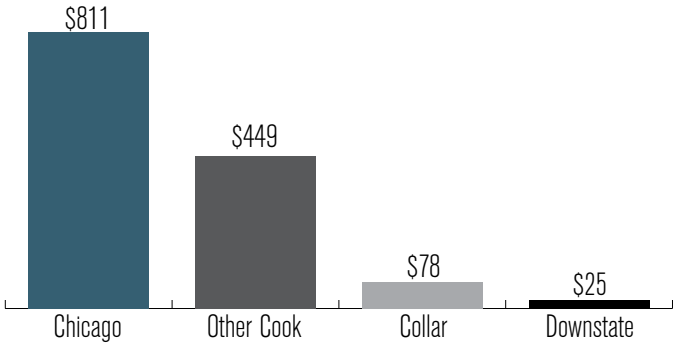
Source: Illinois State Board of Education

The biggest beneficiary, by far, was Chicago School District 299. In fiscal year 2013 alone, the district received $284 million, or 57 percent, of the PTELL Adjustment.

The PTELL Adjustment subsidy has sent more than $6.4 billion over the past 13 years to districts with property tax caps, with a majority dedicated to Chicago, Cook County and its collar counties.

Downstate districts fare poorly when measuring PTELL subsides per student. Chicago School District 299 receives more than $800 per student while downstate districts receive only $25 per student.[28]

Graphic 10. Downstate districts receive an average PTELL subsidy of $25 per student *Average 2013 PTELL subsidy per student*



***Note**: Number of students based on Average Daily Attendance*
***Source**: Illinois State Board of Education*

Having the state subsidize any county's decision to cap its local property taxes removes any accountability for local government actions. It also forces taxpayers who live outside property-tax capped districts to subsidize the lower tax rates that residents inside those districts enjoy.

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Current law permits school districts located in areas with special economic zones to underreport their actual property wealth, which allows them to receive more General State Aid, or GSA, funding than these districts would otherwise. The result is a GSA subsidy that only some districts can benefit from.

Special tax zones and their effect on General State Aid

Tax Increment Financing, or TIF, districts are special economic zones that were created to help cities and towns improve "blighted" neighborhoods.

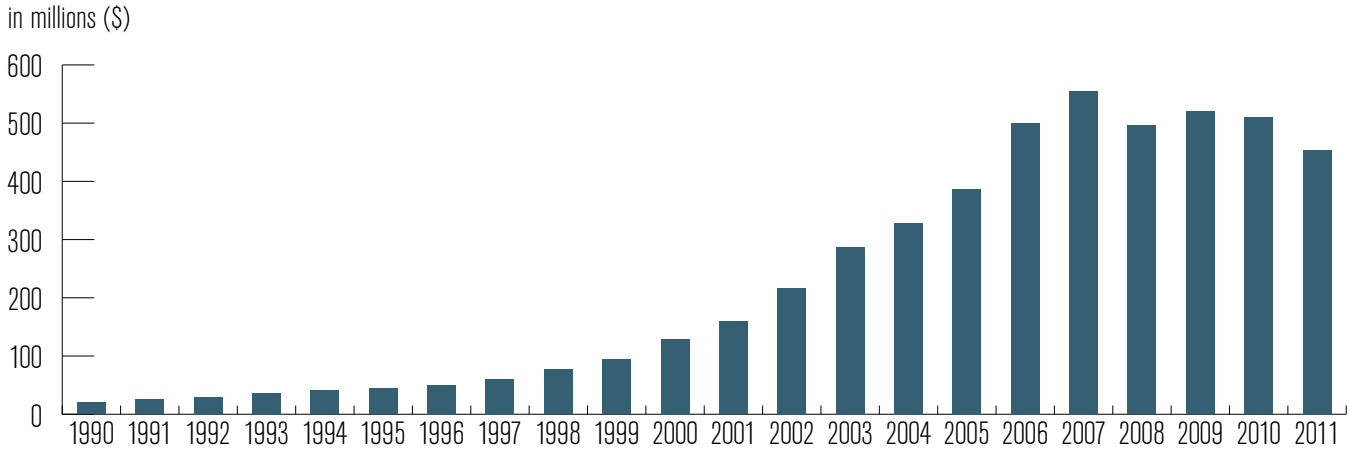
City and village governments with TIFs use a portion of the property tax revenues generated in the special economic zone to give tax incentives to private developers located in these districts.

But the establishment of a TIF drains the amount of property tax revenue that a school district has available for education.

For example, in fiscal year 2011 Chicago's 169 TIF districts controlled more than $450 million in property tax revenues – revenues that are used to fund development projects and are off limits to school, park and library districts.[29]

Graphic 11. Chicago TIFs control $450 million in tax revenue

Tax revenue from Chicago TIF districts, Fiscal years 1990-2011



Source: Office of the Cook County Clerk

But the GSA formula partially refunds the cost of TIFs by providing extra funding to school districts to make up for lost property tax revenue. It does this by allowing a district to exclude the property wealth located in these special economic zones, thereby making the districts appear more property poor than they actually are.

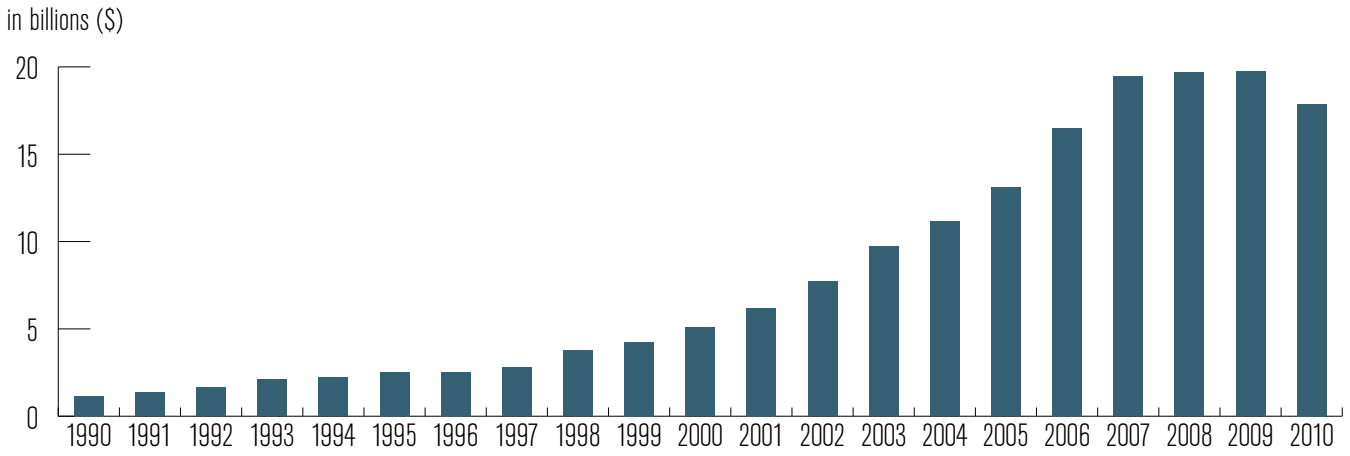
This lowers the districts' total reported property wealth, which results in greater GSA funding than these districts would otherwise receive.

For example, under the current GSA formula, Chicago currently reports $52 billion of total property wealth. This excludes $10.1 billion in property located in TIF districts. Due to this underreporting of property wealth, Chicago receives $264 million more in GSA funds than it otherwise would (see Appendix 3 to see how TIFs apply to Chicago District 299).[30]

But Chicago School District 299 is not the only district utilizing TIFs. The property values that are not included in GSA calculations statewide now equal almost $18 billion.[31]

Graphic 12. Illinois' use of special tax zones has skyrocketed over the past 20 years

Property value excluded from GSA, fiscal years 1983-2010



Source: Illinois Department of Revenue

That means that districts across the state are underreporting their property wealth by almost $18 billion, granting them millions in extra GSA funds.

Why Tax Increment Financing subsidies are harmful

TIFs are heavily concentrated in Cook County and its collar counties. However, TIF data are currently not available at the district level. Because TIF districts may overlap multiple school districts, it's not possible to determine what effect TIFs have on individual school districts. Therefore, the data below only capture TIFs at the county level.

Of the $18 billion in excluded TIF property, 92 percent is located within 10 counties.[32]

Table 9. 92% of TIF property is found in only 10 counties

Property value excluded from GSA, fiscal year 2010

	Top 10 TIF counties	Property removed ($)	Percent of total
1	Cook	13,780,375,070	77.1
2	Will	454,709,927	2.54
3	DuPage	440,653,691	2.46
4	St. Clair	432,283,534	2.42
5	Madison	290,271,102	1.62
6	Lake	264,377,956	1.48
7	Kane	244,698,598	1.37
8	Rock Island	191,758,207	1.07
9	LaSalle	186,290,387	1.04
10	Champaign	159,987,836	0.89
	Top 10 counties	16,445,406,308	92.0
	Remaining 92 counties	1,431,240,484	8.0
	Total property removed	17,876,646,792	100

Source: Illinois Department of Revenue

School districts in top TIF-utilizing districts such as Cook, Will and DuPage counties are receiving extra GSA funds, while districts in 92 counties receive little or nothing in TIF subsidies.

On a per-student basis, downstate districts, on average, have only $4,058 of TIF property excluded per student. Chicago, on the other hand, has nearly $30,000 in property excluded per student, while the rest of Cook County excludes $10,000 per student.[33]

Table 10. Chicago hides nearly $30,000 in property value per student

Property value excluded from GSA, fiscal year 2010

Region	TIF property removed (in billions of $)	Property removed per student ($)
Chicago	10.2	29,155
Other Cook	3.6	10,092
Collar	1.5	2,686
Downstate	2.6	4,058
Total	17.9	9,410

***Note**: Number of students based on Average Daily Attendance **Source**: Illinois Department of Revenue*

As Table 10 shows, Cook and its collar counties are responsible for 85 percent of the TIF property removed from GSA formulas.

Like the Property Tax Extension Limitation Law, establishing a TIF is a local decision. State taxpayers shouldn't subsidize school districts in cities that choose to give local tax revenues to private developers located in TIF districts. By doing so, the state removes accountability for decisions made by local governments and forces all taxpayers to pay for the choices of cities and towns in which they don't live.

And since the majority of TIFs are found in Cook County and its collar counties, downstate taxpayers are essentially subsidizing private development in those counties.

If the GSA subsidy for TIFs were removed, local politicians would be under pressure by school district officials to restore the property tax revenue being siphoned off by TIFs.

The second major factor determining the flow of General State Aid, or GSA, funds is the number of low-income children located in a school district and what share those children represent of the district's total student population. GSA funding dedicated to supporting low-income students is called the Poverty Grant.

Changes in the Poverty Grant formula

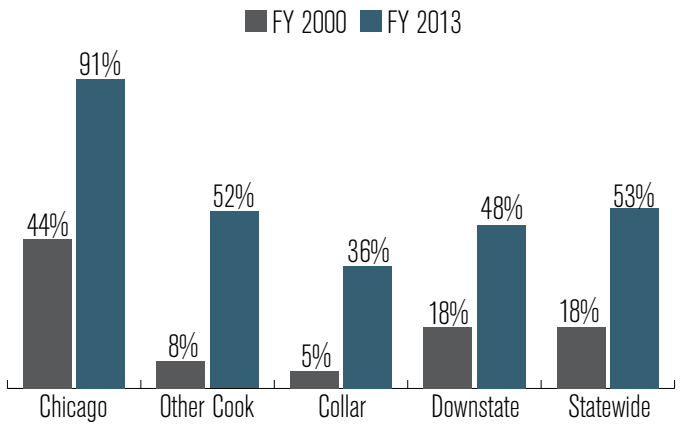
The low-income student boom

One component of the Poverty Grant formula is a district's number of low-income children – often referred to as the low-income count. This helps to determine how much funding a district receives.

Until fiscal year 2004, the state used the U.S. Census to figure out how many low-income children lived within a district. That year, the state began using the Illinois Department of Human Services, or DHS, as its source.[34]

This change resulted in a dramatic increase in the number of students considered low-income in Illinois. The state's low-income count has tripled since 2000, while certain regions of the state have seen their low-income count jump sevenfold.

Graphic 13. Share of low-income students doubled in Chicago and tripled statewide since 2000 *Low-income students as a percentage of average daily attendance, fiscal year 2000 vs. 2013*



***Source**: Illinois State Board of Education*

This sharp increase occurred because DHS has more lenient guidelines about who qualifies as low-income.

According to DHS, children in a district who are enrolled in Medicaid, the Children's Health Insurance Program (CHIP), the Temporary Assistance for Needy Families Program (TANF) and/or the Supplemental Nutrition Assistance Program (SNAP) count as low-income.[35]

Since CHIP is the most expansive program in terms of income eligibility – 200 percent of the federal poverty level – a family of four can make up to $46,100 and still be counted as low-income under the Poverty Grant formula.

Under the current census guidelines, however, that same family (assuming it consists of two parents and two children) can only earn up to $22,811 and still be considered low-income.[36]

While a portion of the rise in the low-income population is due to the sluggish economy and changes in demographics, a majority of it has been caused by the change in the way the state calculates how many low-income children there are in the state.

As the low-income population grows, poverty funding grows exponentially

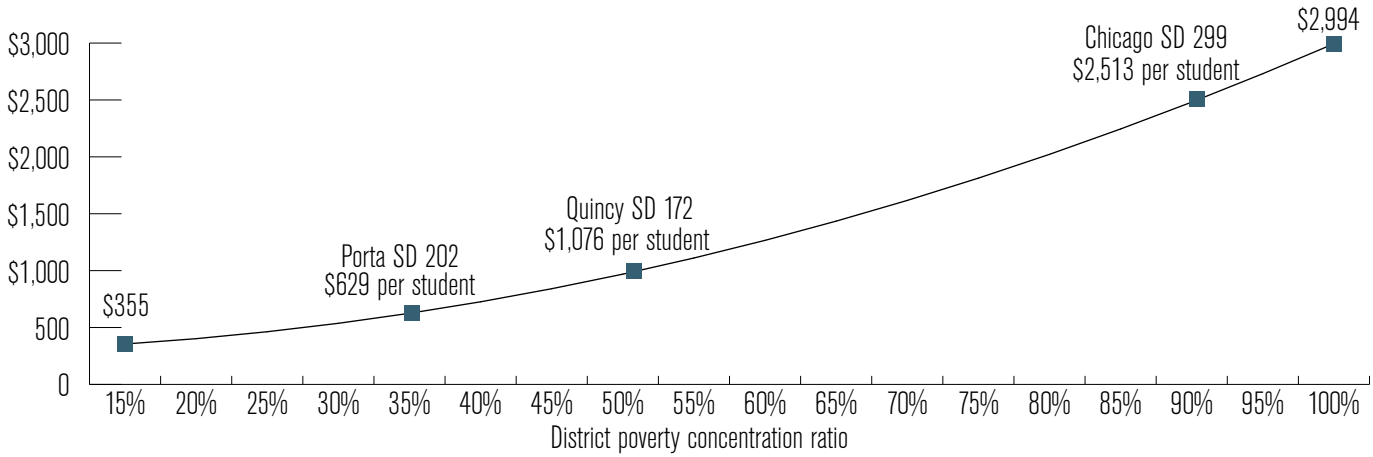
In addition to the swell in the number of low-income students, the state's method for calculating the per-student Poverty Grant has also contributed to its rapid increase.

With Poverty Grants, districts are given a certain amount of funding per student based on how many low-income students live in a district. Unlike other education funding items where districts receive a flat grant for each student, Illinois' Poverty Grant formula gives districts increasingly more money per student as their poverty concentration grows. (See Appendix 2.3 for detailed methodology on the Poverty Grant).[37]

To determine a district's poverty concentration ratio, the state divides the number of low-income students in a district by the amount of students who attend school on an average daily basis.

Where a district falls on Graphic 14 is extremely important – it dictates how much funding the district will receive per student. As Graphic 14 shows, as a district's low-income concentration increases, it receives more money per student.

Graphic 14. Poverty Grant aid increases as concentration of low-income students increases



Source: Illinois State Board of Education

For example, Chicago School District 299's low-income population now totals 91 percent of its total average daily attendance. That means the school district receives $2,513 in poverty grant funding for every low-income student living in its district. Rockford School District 205 has a similar profile to Chicago, and receives nearly $2,300 per student.

By comparison, Quincy School District 172, with a 54 percent poverty concentration, receives $1,076 per student, while Petersburg's Porta Community School District 202, with a 35 percent poverty concentration, receives just $629 per student.[38]

The boom in Poverty Grant spending

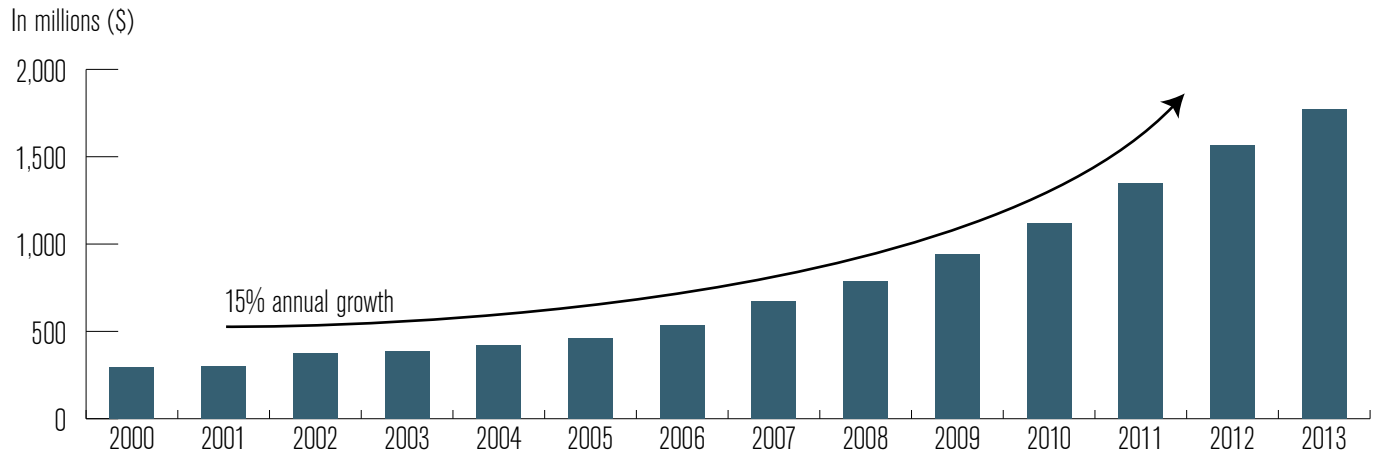
Increasing numbers of children considered low-income across the state, combined with the new poverty concentration formula, have led to a rapid increase in the amount of funding diverted to the Poverty Grant.

In 2000, that amount was just less than $300 million, or 10 percent of the total GSA.

Since then, funding to districts with low-income populations has skyrocketed. The total amount allocated in fiscal year 2013 was nearly $1.8 billion, or 37 percent of total GSA funds.[39]

Graphic 15. Poverty Grant funding has increased sixfold since 2000

Poverty Grant funding, fiscal years 2000-2013



Source: Illinois State Board of Education

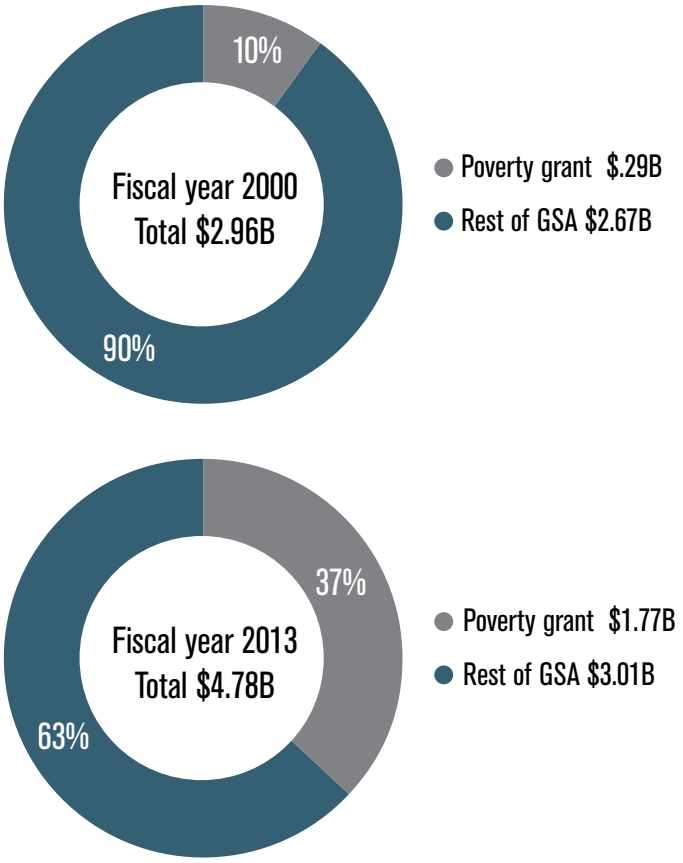
And Poverty Grant growth shows no signs on stopping. It has grown an average of 15 percent annually since 2000 – in good economic times and in bad.

At this rate of growth, the Poverty Grant could comprise the majority of GSA funds within the next few years.

The Poverty Grant's flaws

GSA formula changes have caused the Poverty Grant to grow dramatically.

Graphic 16. Poverty Grant has expanded to encompass more than 37% of GSA *(in billions of $)*

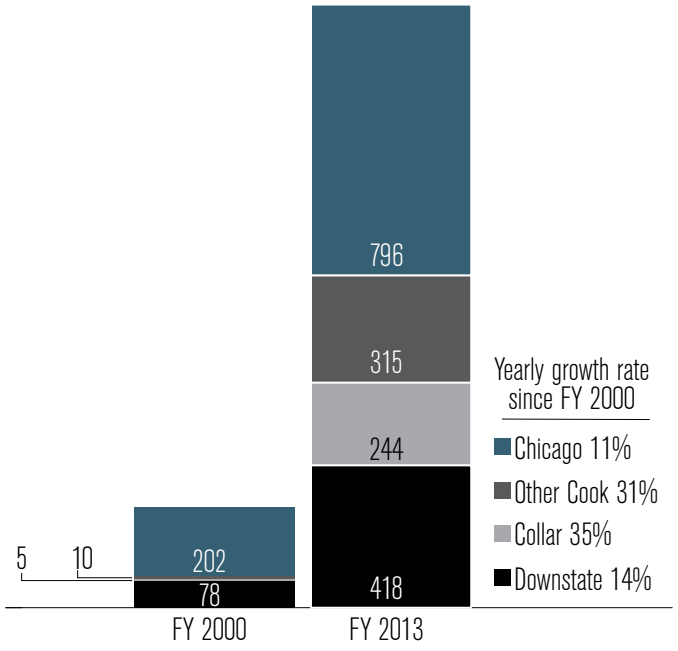


Source: Illinois State Board of Education

Graphic 15 reveals that the majority of the Poverty Grant funding growth is going to Cook County (excluding Chicago) and the collar counties. With annual growth rates above 30 percent, districts in those counties are attracting greater amounts of funding.[40]

Graphic 17. Other Cook County and collar counties experienced more than 30% annual growth in Poverty Grant funding

Fiscal years 2000 – 2013 (in millions of $)



Source: Illinois State Board of Education

The problem with Poverty Grant funds is that the money is not distributed based on the demonstrable need of individual districts. The grant's formulas do not take into account a district's ability to pay for its own education expenses. This means that property-rich districts may receive Poverty Grant funding even though these areas have the ability to pay.

Because of this quirk in the Poverty Grant formula, downstate districts are receiving, on average, far less Poverty Grant funding per student than the wealthier Cook County and its collar counties. Chicago School District 299 receives $2,513 in Poverty Grant funding due to its high poverty concentration ratio. Other districts in Cook County receive a high $1,717 per low-income student, despite the fact these districts have the local means to pay for education.

Table 11. Chicago receives the most Poverty Grant funding per student

Fiscal year 2013

Region	DHS low-income student population	Total Poverty Grant claim ($)	Avg Poverty Grant claim per low-income student ($)
Chicago	316,805	796,081,105	2,513
Other Cook	183,743	315,545,973	1,717
Collar	194,802	205,793,257	1,252
Downstate	311,398	456,302,618	1,343
Total:	1,006,749	1,773,722,953	1,762

***Note**: Number of students based on Average Daily Attendance **Source**: Illinois State Board of Education*

The Poverty Grant was designed by the state to provide districts extra funding to educate their low-income students. Unfortunately, like Property Tax Extension Limitation Law and TIF subsidies, the Poverty Grant is now providing extraordinary subsidies to Chicago and Cook county.

The solution

All special General State Aid subsidies need to be ended immediately – the solution isn't about tweaking the formulas and making fixes so that political power between different regions in the state can be temporarily equalized. To fix Illinois' broken education system, financial power needs to be taken away from the politicians and special interests. As long as they direct the system, it won't be about accountability – it will be about dollars and who controls them.

The only real solution is to transition to a new education funding system – one that provides parents with increasing control over the flow and distribution of money.

When it comes to creating a new education-funding system, Illinois doesn't need to start from scratch. Alternatives already exist and have proven effective in other states across the country, including Wisconsin and Indiana.

Why it works

A system where parents control the flow and distribution of money empowers families to hold schools accountable. They, and not the educational establishment, will decide the future of their children. And with more alternatives, parents can determine which school is best for their children's needs.

Parental control also means fewer winners and losers based on political influence and financial manipulations. Children will no longer find themselves in the middle of funding battles between the politically powerful, be it the Chicago Teachers Union and the Chicago Education Board, or downstate and Chicago politicians.

It's time for parents to control the flow and distribution of money in education. Only then will the struggle be about what really matters – how to educate the children of Illinois.

Appendix 1

State, local and federal resources for elementary and secondary education, fiscal years 1993 - 2012 (in millions of $)[41]

Fiscal	State		Local		Federal		Total
Year	$	%	$	%	$	%	$
1993	3,475.4	33.4	6,078.1	58.4	862.9	8.3	10,416.4
1994	3,611.5	32.9	6,453.4	58.9	901.0	8.2	10,965.9
1995	3,792.6	32.4	6,841.0	58.4	1,080.6	9.2	11,714.2
1996	3,994.8	32.1	7,339.8	58.9	1,123.7	9	12,458.3
1997	4,307.1	32.7	7,700.9	58.5	1,152.9	8.8	13,160.9
1998	4,849.3	33.9	8,052.0	56.2	1,417.9	9.9	14,319.2
1999	5,654.4	36.1	8,571.1	54.7	1,434.3	9.2	15,659.8
2000	6,354.0	37.8	8,907.0	52.9	1,565.8	9.3	16,826.8
2001	6,785.1	37.7	9,331.6	51.9	1,868.0	10.4	17,984.7
2002	7,181.1	38.8	9,724.0	52.5	1,623.0	8.8	18,528.1
2003	6,873.2	36.1	10,226.2	53.7	1,952.1	10.2	19,051.5
2004	7,206.1	35.9	10,805.3	53.8	2,073.8	10.3	20,085.2
2005	6,955.7	33.7	11,456.7	55.5	2,219.3	10.8	20,631.7
2006	6,875.5	32.3	12,226.1	57.5	2,163.1	10.2	21,264.7
2007	7,492.1	33.1	12,982.2	57.3	2,174.1	9.6	22,648.4
2008	8,519.6	34.6	13,903.7	56.5	2,165.7	8.8	24,589.0
2009	7,992.7	30.4	14,488.5	55.1	3,812.7	14.5	26,293.9
2010	9,897.3	34.6	15,037.0	52.6	3,637.4	12.7	28,571.7
2011	9,286.8	33.1	15,344.1	54.6	3,460.8	12.3	28,091.7
2012	9,328.8	32.5	15,791.2	55	3,580.8	12.5	28,700.8

***Source**: ISBE Annual Report 2012*

***Notes**:*

• Fiscal years and school years start July 1 and end June 30. Tax years start Jan. 1 and end Dec. 31. The state and federal funds shown are based on fiscal years, while local funds are based on tax (calendar) years. For example, the 2011-12 year includes actual state and federal appropriations for state fiscal year 2012 and local revenues accruing to school districts from the 2010 tax year. 2010 property taxes are payable to the districts in calendar year 2011, usually after July 1.

• Local includes local real property tax revenues as estimated by the total property tax extension of districts and Corporate Personal Property Replacement Funds. Not included as local revenue are proceeds from investment income, income from school food services and revenue generated through fees and assessments.

• State includes appropriated amount with original appropriations, supplementals and teachers' retirement and pension contributions.

• Fiscal year 2010 federal sources include $1.5 billion in federal funds received through the American Recovery and Reinvestment Act (ARRA).

Appendix 2

State General State Aid methodology[42]

2.1 Calculation of General State Aid

1. To determine the amount of Foundation Level grant funding a district receives, the state first looks at its available local resources using this formula:

Available local resources = (GSA EAV x RATE + CPPRT)

Where:
RATE = 2.30% for an elementary school
1.05% for a high school
3.00% for a unit school
CPPRT = Corporate Personal Property Replacement Taxes
GSA EAV = Equalized Assessed Valuation

2. The state then calculates how much property tax revenue it assumes a district can collect per student:

Available local resources per student = available local resources/ADA

Where:
ADA = Best 3 Months Average Daily Attendance

3. The state then determines what percentage this value is of the Foundation Level:

Local percentage = Available local resources / FLEVEL

Where:
Foundation Level (FLEVEL) = $6,119 for fiscal year 2013

4. Depending on what percentage of the Foundation Level a district is able to fund, it falls into one of the three district categories and receives the appropriate funding:

Foundation formula
GSA is calculated using the Foundation formula if the district's local percentage is less than 93 percent. The grant is calculated as:

GSA Foundation = (FLEVEL–available local resources per pupil) x ADA

Alternate formula
GSA is calculated using the Alternate formula if the district's local percentage is at least 93 percent but less than 175 percent. This formula provides between 7 percent and 5 percent of the FLEVEL per ADA. The grant is calculated as:

GSA Alternate = FLEVEL x ADA x (.07–[(Local Percentage–.93) / .82] x .02)

Flat grant formula

GSA is calculated using the Flat Grant if the district's local percentage is at least 175 percent. The grant is calculated as:

GSA Flat Grant = ADA x $218

2.2 Property Tax Extension Limitation Law (PTELL) methodology

1. For districts subject to PTELL, GSA calculations assume the lesser of either the district's real EAV or its Extension Limitation EAV. For many PTELL districts, the Extension Limitation EAV is less than its actual EAV, resulting in a greater GSA formula payment.

2. To determine a district's Extension Limitation EAV, the state uses the following formula:

Extension limitation EAV = Prior Year EAV x Extension Limitation Ratio (ELR)

Where:
ELR = (Budget Year EAV x Budget Year Limiting Rate) / (Prior Year EAV x Prior Year OTR)

3. If the Extension Limitation EAV is less than the real EAV, the state uses the Extension Limitation EAV in the Foundation Level Grant funding formula to determine a district's available local resources:

Available local resources = (Extension Limitation EAV x RATE + CPPRT)

Where:

RATE = 2.30% for an elementary school
1.05% for a high school
3.00% for a unit school
CPPRT = Corporate Personal Property Replacement Taxes
GSA EAV = Equalized Assessed Valuation

4. The state then calculates how much property tax revenue it assumes a district can collect per student:

Available local resources per student = Available local resources/ADA

Where:
ADA = Best 3 Months Average Daily Attendance

5. The state then determines what percentage this value is of the Foundation Level:

Local percentage = available local resources per student / FLEVEL

Where:
Foundation Level (FLEVEL) = $6,119 for fiscal year 2013

6. Depending on what percentage of the Foundation Level a district is able to fund, it falls into one of the three district categories and receives the appropriate funding:

Foundation formula

If the district is only able to fund 93 percent of the Foundation Level, the grant is calculated as:
GSA Foundation = (FLEVEL–available local resources per student) x ADA

Alternate formula

If the district is able to fund at least 93 percent but less than 175 percent of the Foundation Level, the grant is calculated as:
GSA Alternate = FLEVEL x ADA x (.07–[(Local Percentage–.93) / .82] x .02)

Flat Grant formula

If the district is able to fund at least 175 percent of the Foundation Level, the grant is calculated as:
GSA Flat Grant = ADA x $218

2.3 Poverty Grant methodology

1. Districts receive poverty grant funding based on the following formula:

($294.25 + $2,700 x (DCR)^2) x DHS

Where:
DCR = District low-income concentration ratio
DHS = DHS 3-year low income count average

2. To calculate a district's low-income concentration ratio, the state divides a district's DHS three-year low-income count average by its average daily attendance:

DCR = DHS/ADA

Where:
DHS = DHS three-year low income count average
ADA = Best three months Average Daily Attendance

3. That number is then inserted into the poverty grant formula to determine how much poverty grant funding a district receives per student:

Example: Chicago fiscal year 2013

DHS = 316,805.33
ADA = 349,469.51

DCR = 316,805.33/349,469.51
DCR = .0091 or 91 percent

Poverty grant amount per student = $294.25 + ($2,700 x (.0091)^2) x 316,805.33
Poverty grant amount per student = $2,512.84

3. The poverty grant amount per student is then multiplied by the DHS low-income count to calculate the total amount of poverty grant funding a district receives from the state:

Example: Chicago fiscal year 2013

$2,512.84 x 316,805.33 = $796,081,105.43

Appendix 3

State aid to Chicago under different subsidy scenarios

Appendix 3.1

Appendix 3.1 is the actual amount of GSA funding Chicago received in fiscal year 2013.

Chicago's actual EAV, excluding the property value located in TIF districts, is the value in **1A** – but the state uses the value in **1** to make its calculations about how much property revenue it believes Chicago is able to raise per student. The value in **1** is the PTELL adjusted EAV.

To determine the total available resources that Chicago has available to fund its schools, the state multiplies the PTELL Adjusted EAV in **1** by the state's assumed property tax rate for the district, located in **4**. The CPPRT amount located in 3 is then added to that total. This number is then divided by the ADA used for GSA in **2** to determine the local resources per student.

With the PTELL Adjustment, and the exclusion of property value located in TIF districts, the state assumes Chicago can raise only $4,936.20 in property tax revenue per student, or 80.67 percent of the Foundation Level. This value is located in 8.

Because of this, Chicago receives the difference in funding between the Foundation Level – $6,119 – and the how much property tax revenue the state assumes it can raise.

When that difference – $1,182.80 – is multiplied by the city's average daily attendance, located in 2, it entitles Chicago to more than $413 million in funding.

Appendix 3.2

Appendix 3.2 is the amount of GSA funding Chicago would have received in fiscal year 2013 if the PTELL Adjustment had been repealed.

The number in **1A** is the actual EAV that Chicago has within its borders, excluding the property value located in TIF districts. In order to determine how much revenue Chicago can raise from that amount of property, the state multiplies the value in **1** by the state's assumed property tax rate for the district, located in **4.** The CPPRT amount located in 3 is then added to that total.

It then divides that value, which is located in **7**, by the average daily attendance in **2** to get the available local resources per student.

Since this amount – $8,043.58 – is more than the Foundation Level, Chicago becomes an Alternate District and receives significantly less funding than it would if the PTELL Adjustment had been in place ($371.42 vs. $1,182.8 per student with the PTELL Adjustment).

The total difference in funding is drastic as well. Chicago receives a little more than $413 million with the PTELL Adjustment in place, and only about $130 million without it.

This subsidy of $283 million is paid for by all Illinois taxpayers.

Appendix 3.3

Appendix 3.3 is the amount of GSA funding Chicago would have received in fiscal year 2013 if the PTELL Adjustment was still in place, but all the property value currently in TIF districts was included in the city's total property value, but not affected by the PTELL Adjustment formula.

Chicago's actual EAV, excluding the property value located in TIF districts, is the value in **1A** – but the state uses the value in **1** to make its calculations about how much property revenue it believes Chicago is able to raise per student. The value in 1 is the PTELL Adjusted EAV.

However, under this scenario, the $10.1 billion in property value in TIFs is then added on to the PTELL Adjusted value located in **1.** Therefore, instead of being more than $51.9 billion the actual value in **1** is $62 billion.

To determine the total available resources that Chicago has available to fund its schools, the state multiplies this value by the state's assumed property tax rate for the district, located in **4**. The CPPRT amount located in 3 is then added to that total. This number is then divided by the ADA used for GSA in **2** to determine the local resources per student.

With the PTELL Adjustment, and the inclusion of property value located in TIF districts, the state assumes Chicago can raise only $5,803.22 in property tax revenue per student, or 94.96 percent of the Foundation Level. This value is located in **8**.

Because of this, Chicago receives the difference in funding between the Foundation Level – $6,119 – and the how much property tax revenue the state assumes it can raise.

When that difference – $425.88 – is multiplied by the city's average daily attendance, located in **2**, it entitles Chicago to nearly $149 million in funding.

Since this amount is less than the city would receive under a situation where the property value located in TIF districts was excluded from the funding formula, the city receives a subsidy totaling more than $265 million from all Illinois taxpayers.

Appendix 3.4

Appendix 3.4 is the amount of GSA funding Chicago would have received in fiscal year 2013 if the PTELL Adjustment was repealed and all of the property value in TIF districts was included in the city's total property value.

The number in **1A** is the actual EAV that Chicago has within its borders. To determine how much revenue Chicago can raise from that amount of property, the state multiplies the value in **1** by the state's assumed property tax rate for the district, located in **4**. The CPPRT amount located in 3 is then added to that total.

It then divides that value, which is located in **7**, by the average daily attendance in **2** to get the available local resources per student.

Since this amount – $8,402.33 – is more than the Foundation Level, Chicago becomes an Alternate District and receives significantly less funding than it would if the PTELL Adjustment had been in place ($348.17 vs. $1,182.8 per student with the PTELL Adjustment and TIF property value excluded).

The total difference in funding is drastic as well. Chicago receives a little more than $413 million with the PTELL Adjustment in place and TIF property value excluded from the GSA funding formula and only $122 million without the two carve-outs.

This subsidy of $291 million is paid for by all Illinois taxpayers.

3.1 - Chicago fiscal year 2013 General State Aid entitlement

Projected General State Aid Worksheet for the 2011-2012 Claim Payable in 2012-2013

Foundation Level = $6,119.00

Yellow cells for tax capped districts only

DATA SECTION

1A. 2010 Adjusted Real EAV	$88,102,132,699	2009-2010 ADA	349,196.05
1B. GSA EAV used for FY 2012	$50,004,115,031	2010-2011 ADA	347,221.83
1C. Current Year PTABs	$0	2011-2012 ADA	349,469.51
1D. Alternative Exemption (7% Cap)	$6,009,656,380		
1. GSA EAV used for FY 2013	**$51,904,271,402**	Three-Year Average ADA	348,629.13
2009 DHS Low Income Count	308,941	2. ADA Used for GSA	349,469.51
2010 DHS Low Income Count	317,093		
2011 DHS Low Income Count	324,382		
5. AVG DHS Low Income Count	316,805.33	3. 2010 CPPRT (Rec'd in 2011)	$167,923,445.25
6. District Low Income Concentration	0.9065	4. Calculation Rate	0.0300
		(Unit=.0300, Elementary=.0230, High School=.0105)	
7. Available Local Resources	$1,725,051,587.31	Tax Capped Districts Only	
8. Available Local Resources per ADA	$4,936.20	2010 Original EAV	$82,092,476,319
9. Percentage of Foundation Level	0.8067	2010 Limiting Rate	2.51600
		2009 Original EAV	$84,592,286,342
1997-98 Hold Harmless Base		2009 OTR	2.35211
EAV Used in GSA Calculations	PTELL EAV	2010 Extension Limitation Ratio	1.038000

SECTION A - FOUNDATION FORMULA

10. Foundation Level X ADA	$2,138,403,931.69
11. Available Local Resources	$1,725,051,587.31
12. FOUNDATION FORMULA AMOUNT	$413,352,344.38

SECTION B - ALTERNATE FORMULA

13. Line 9 minus .93	0.0000	14. Line 13 divided by .82	0.0000
15. Line 14 times .02	0.0000	16. .07 minus Line 15	0.0000
17. Amount per ADA	$0.00		
18. ALTERNATE FORMULA AMOUNT	$0.00		

SECTION C - FLAT GRANT FORMULA

19. FLAT GRANT FORMULA AMOUNT ($218 x ADA)	$0.00

SECTION D - POVERTY GRANT

If Line 6 < .15 then Poverty Grant = $355 x Line5
Else Poverty Grant = (294.25 + (2700 x (Line 6 x Line 6))) x Line 5

20. Amount per Low Income Count	$2,512.84			
21. FY 13 GROSS POVERTY ENTITLEMENT	$796,081,105.43			
22. GROSS FORMULA ENTITLEMENT	$413,352,344.38	**Projected Proration Percentage**	**Gross GSA after Proration**	**Impact of Proration**
23. GROSS GENERAL STATE AID (Gross GSA Entitlement + Poverty)	$1,209,433,449.81	100.0000%	**$1,209,433,449.81**	$ -

3.2 - Chicago fiscal year 2013 General State Aid entitlement without Property Tax Extension Limitation Law adjustment

Projected General State Aid Worksheet for the 2011-2012 Claim Payable in 2012-2013

Foundation Level : $6,119.00

Yellow cells for tax capped districts only

DATA SECTION

1A. 2010 Adjusted Real EAV	$88,102,132,699	2009-2010 ADA	349,196.05
1B. GSA EAV used for FY 2012	$50,004,115,031	2010-2011 ADA	347,221.83
1C. Current Year PTABs	$0	2011-2012 ADA	349,469.51
1D. Alternative Exemption (7% Cap)	$6,009,656,380		
1. GSA EAV used for FY 2013	**$88,102,132,699**	Three-Year Average ADA	348,629.13
2009 DHS Low Income Count	308,941	2. ADA Used for GSA	349,469.51
2010 DHS Low Income Count	317,093		
2011 DHS Low Income Count	324,382		
5. AVG DHS Low Income Count	316,805.33	3. 2010 CPPRT (Rec'd in 2011)	$167,923,445.25
6. District Low Income Concentration	0.9065	4. Calculation Rate	0.0300
		(Unit=.0300, Elementary=.0230, High School=.0105)	
7. Available Local Resources	$2,810,987,426.22	Tax Capped Districts Only	
8. Available Local Resources per ADA	$8,043.58	2010 Original EAV	
9. Percentage of Foundation Level	1.3145	2010 Limiting Rate	
		2009 Original EAV	
1997-98 Hold Harmless Base		2009 OTR	
EAV Used in GSA Calculations	Real EAV	2010 Extension Limitation Ratio	Not Applicable

SECTION A - FOUNDATION FORMULA

10. Foundation Level X ADA	$0.00
11. Available Local Resources	$0.00
12. FOUNDATION FORMULA AMOUNT	$0.00

SECTION B - ALTERNATE FORMULA

13. Line 9 minus .93	0.3845	14. Line 13 divided by .82	0.4689
15. Line 14 times .02	0.0093	16. .07 minus Line 15	0.0607
17. Amount per ADA	$371.42		
18. ALTERNATE FORMULA AMOUNT	$129,799,965.40		

SECTION C - FLAT GRANT FORMULA

19. FLAT GRANT FORMULA AMOUNT ($218 x ADA)	$0.00

SECTION D - POVERTY GRANT

If Line 6 < .15 then Poverty Grant = $355 x Line5
Else Poverty Grant = (294.25 + (2700 x (Line 6 x Line 6))) x Line 5

20. Amount per Low Income Count	$2,512.84			
21. FY 13 GROSS POVERTY ENTITLEMENT	$796,081,105.43			
22. GROSS FORMULA ENTITLEMENT	$129,799,965.40	**Projected Proration Percentage**	**Gross GSA after Proration**	**Impact of Proration**
23. GROSS GENERAL STATE AID (Gross GSA Entitlement + Poverty)	$925,881,070.83	100.0000%	**$ 925,881,070.83**	**$ 0.00**

3.3 - Chicago fiscal year 2013 General State Aid entitlement with Property Tax Extension Limitation Law Adjustment and tax increment financing property value included

Projected General State Aid Worksheet for the 2011-2012 Claim Payable in 2012-2013

Foundation Level = $6,119.00

Yellow cells for tax capped districts only

DATA SECTION

1A. 2010 Adjusted Real EAV	$62,004,271,402	2009-2010 ADA	349,196.05
1B. GSA EAV used for FY 2012	$0	2010-2011 ADA	347,221.83
1C. Current Year PTABs	$0	2011-2012 ADA	349,469.51
1D. Alternative Exemption (7% Cap)	$0		
1. GSA EAV used for FY 2013	**$62,004,271,402**	Three-Year Average ADA	348,629.13
2009 DHS Low Income Count	-	2. ADA Used for GSA	349,469.51
2010 DHS Low Income Count	-		
2011 DHS Low Income Count	-		
5. AVG DHS Low Income Count	0.00	3. 2010 CPPRT (Rec'd in 2011)	$167,923,445.25
6. District Low Income Concentration	0.0000	4. Calculation Rate	0.0300
		(Unit=.0300, Elementary=.0230, High School=.0105)	
7. Available Local Resources	$2,028,051,587.31	Tax Capped Districts Only	
8. Available Local Resources per ADA	$5,803.22	2010 Original EAV	$0
9. Percentage of Foundation Level	0.9483	2010 Limiting Rate	0.00000
		2009 Original EAV	$0
1997-98 Hold Harmless Base		2009 OTR	0.00000
EAV Used in GSA Calculations	Real EAV	2010 Extension Limitation Ratio	Not Applicable

SECTION A - FOUNDATION FORMULA

10. Foundation Level X ADA	$0.00
11. Available Local Resources	$0.00
12. FOUNDATION FORMULA AMOUNT	$0.00

SECTION B - ALTERNATE FORMULA

13. Line 9 minus .93	0.0183	14. Line 13 divided by .82	0.0223
15. Line 14 times .02	0.0004	16. .07 minus Line 15	0.0696
17. Amount per ADA	$425.88		
18. ALTERNATE FORMULA AMOUNT	$148,832,074.91		

SECTION C - FLAT GRANT FORMULA

19. FLAT GRANT FORMULA AMOUNT ($218 x ADA)	$0.00

SECTION D - POVERTY GRANT

If Line 6 < .15 then Poverty Grant = $355 x Line5
Else Poverty Grant = (294.25 + (2700 x (Line 6 x Line 6))) x Line 5

20. Amount per Low Income Count	$355.00			
21. FY 13 GROSS POVERTY ENTITLEMENT	$0.00			
22. GROSS FORMULA ENTITLEMENT	$148,832,074.91	**Projected Proration Percentage**	**Gross GSA after Proration**	**Impact of Proration**
23. GROSS GENERAL STATE AID	$148,832,074.91	100.0000%	**$ 148,832,074.91**	**$ 0.00**

3.4- Chicago fiscal year 2013 General State Aid entitlement without Property Tax Extension Limitation Law Adjustment with tax increment financing property value included

Projected General State Aid Worksheet for the 2011-2012 Claim Payable in 2012-2013

Foundation Level = $6,119.00

Yellow cells for tax capped districts only

DATA SECTION

1A. 2010 Adjusted Real EAV	$99,102,132,699	2009-2010 ADA	349,196.05
1B. GSA EAV used for FY 2012	$50,004,115,031	2010-2011 ADA	347,221.83
1C. Current Year PTABs	$0	2011-2012 ADA	349,469.51
1D. Alternative Exemption (7% Cap)	$6,009,656,380		
1. GSA EAV used for FY 2013	**$99,102,132,699**	Three-Year Average ADA	348,629.13
2009 DHS Low Income Count	308,941	2. ADA Used for GSA	349,469.51
2010 DHS Low Income Count	317,093		
2011 DHS Low Income Count	324,382		
5. AVG DHS Low Income Count	316,805.33	3. 2010 CPPRT (Rec'd in 2011)	$167,923,445.25
6. District Low Income Concentration	0.9065	4. Calculation Rate	0.0300
		(Unit=.0300, Elementary=.0230, High School=.0105)	
7. Available Local Resources	$3,140,987,426.22	Tax Capped Districts Only	
8. Available Local Resources per ADA	$8,987.87	2010 Original EAV	$0
9. Percentage of Foundation Level	1.4688	2010 Limiting Rate	0.00000
		2009 Original EAV	$0
1997-98 Hold Harmless Base		2009 OTR	0.00000
EAV Used in GSA Calculations	Real EAV	2010 Extension Limitation Ratio	Not Applicable

SECTION A - FOUNDATION FORMULA

10. Foundation Level X ADA	$0.00
11. Available Local Resources	$0.00
12. FOUNDATION FORMULA AMOUNT	$0.00

SECTION B - ALTERNATE FORMULA

13. Line 9 minus .93	0.5388	14. Line 13 divided by .82	0.6570
15. Line 14 times .02	0.0131	16. .07 minus Line 15	0.0569
17. Amount per ADA	$348.17		
18. ALTERNATE FORMULA AMOUNT	$121,674,799.29		

SECTION C - FLAT GRANT FORMULA

19. FLAT GRANT FORMULA AMOUNT ($218 x ADA)	$0.00

SECTION D - POVERTY GRANT

If Line 6 < .15 then Poverty Grant = $355 x Line5
Else Poverty Grant = (294.25 + (2700 x (Line 6 x Line 6))) x Line 5

20. Amount per Low Income Count	$2,512.84			
21. FY 13 GROSS POVERTY ENTITLEMENT	$796,081,105.43			
22. GROSS FORMULA ENTITLEMENT	$121,674,799.29	**Projected Proration Percentage**	**Gross GSA after Proration**	**Impact of Proration**
23. GROSS GENERAL STATE AID	$917,755,904.72	100.0000%	**$ 917,755,904.72**	**$ 0.00**

Endnotes

[1] GSA's actual appropriation is $4.3 billion after proration.

[2] Data directly from the Illinois State Board of Education (ISBE).

[3] Ibid.

[4] ISBE, General State Aid Entitlement for 2011-2012 – Payable 2012-2013, Chicago School District 299
ISBE, General State Aid Entitlement for 2011-2012 – Payable 2012-2013, Porta Community School District 202

[5] Illinois State Board of Education, "Annual Report 2012," *http://www.isbe.state.il.us/reports/annual12/report.pdf*

[6] Ibid.

[7] Ibid.

[8] U.S. Census Bureau, "2011 Annual Survey of Local Government Finances-School Systems" *http://www.census.gov/govs/school/*

[9] Excluding alternative, laboratory and safe school districts.

[10] Illinois Local Education Agency Retrieval Network, *http://webprod1.isbe.net/ilearn/ASP/index.asp*.

[11] "Pensions vs. schools," Illinois Policy Institute (January 2012), *http://illinoispolicy.org/news/article.asp?ArticleSource=4597*.

[12] ISBE, "FY2013 Enacted Operating Budget," *http://www.isbe.state.il.us/budget/fy13/fy13_budget.pdf*.

[13] ISBE, "Overview of General State Aid," *http://www.isbe.state.il.us/funding/pdf/gsa_overview.pdf*.

[14] For the GSA budget, the state assumes that property tax rates are set at 2.30 percent for elementary districts, 1.05 percent for high school districts and 3.00 percent for unit districts.

[15] Foundation Districts have local property tax revenue per student below 93 percent of the Foundation Level.

[16] ISBE, General State Aid Entitlement for 2011-2012 – Payable 2012-2013, East St Louis School District 189

[17] ISBE, General State Aid Entitlement for 2011-2012 – Payable 2012-2013, New Trier High School District 203

[18] Data directly from ISBE.

[19] Illinois State Board of Education, "Annual Report 2012," *http://www.isbe.state.il.us/reports/annual12/report.pdf*.

[20] Education Funding Advisory Board, "Illinois Education Funding Recommendations" (January 2011), *http://www.isbe.state.il.us/efab/pdf/final_report_1-11.pdf*.

[21] Data directly from ISBE.

[22] These values consists of all property wealth in each region, including all property underreported to the state due to subsidies included in the education funding formula. This includes $17 billion in excluded property wealth from TIF districts and $75 billion in excluded property wealth in property tax-capped districts.

[23] Illinois Department of Revenue, *http://tax.illinois.gov/localgovernment/PropertyTax/ptell.htm*

[24] Illinois Department of Revenue, "History of PTELL" (Aug. 2012), *http://tax.illinois.gov/LocalGovernment/PropertyTax/PTELLcounties.pdf*

[25] This does not include nearly $11 billion of property located in Tax Increment Financing districts

[26] Data directly from ISBE.

[27] Ibid.

[28] Ibid.

[29] Cook County Clerk's Office, "2012 TIF Revenue Report" (July, 2013), *http://www.cookcountyclerk.com/tsd/DocumentLibrary/2012%20TIF%20Revenue%20Report.pdf*

[30] Illinois Compiled School Code, *http://www.ilga.gov/legislation/ilcs/fulltext.asp?DocName=010500050K18-8.05*

[31] Data directly from the Illinois Department of Revenue

[32] Ibid.

[33] Ibid.

[34] Education Funding Advisory Board, "Illinois Education Funding Recommendations" (Jan. 2011), *http://www.isbe.state.il.us/efab/pdf/final_report_1-11.pdf*

[35] Ibid.

[36] U.S. Census Bureau, "Poverty Thresholds 2012," *http://www.census.gov/hhes/www/poverty/data/threshld/*, Median household income in Illinois is $56,576.

[37] ISBE, "Overview of General State Aid," *http://www.isbe.state.il.us/funding/pdf/gsa_overview.pdf*

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Understanding Illinois' broken education funding system

Illinois Policy Institute

THE PROBLEM

The focus of Illinois' current education funding system is not what's best for students – it's who controls the flow and distribution of taxpayer money.

Nowhere is this more evident than in the state's General State Aid, or GSA, for education budget – Illinois' largest single education appropriation for K-12 education. Originally intended to support the state's neediest school districts, the $4.8 billion GSA has become, in a single decade, a twisted mess of formulas that provide large, special subsidies to a few select districts.

As recently as 2000, the vast majority of the GSA was distributed to school districts that demonstrated need. Nearly 90 percent of aid went to districts that lacked the local funds to meet the state's minimum funding standards. But because of changes to the GSA formulas, billions in special subsidies now flow to Chicago and districts in Cook County and its collar counties.

To understand how this is happening, it's important to realize the GSA is set up to distribute funds based on property wealth and the low-income population in each school district. When a district has lower reported property wealth, it receives more state aid. Throughout the GSA formulas, however, are special laws and loopholes districts can take advantage of to underreport their property wealth.

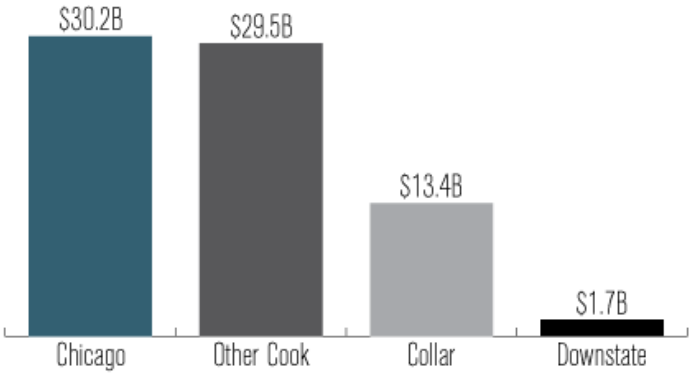
In 2013, a majority of more than $500 million in special state education subsidies related to property wealth went to just 40 districts – all in Cook County and its collar counties. Chicago's take of the total was more than $280 million. In contrast, downstate districts received just 3 percent of the $500 million.

Another one of these loopholes – related to tax increment financing, or TIF, districts – allows school districts statewide to not report more than $18 billion in property value located in special economic zones. Chicago excludes the most – it does not report more than $10 billion of property located in TIFs. Cook County and its collar counties exclude more than $5 billion.

And the formulas that determine who qualifies as poor have broadened, causing the state to consider thousands more students as low-income. In 2000, the amount of GSA funds dedicated to support low-income children was just less than $300 million. Today, support for low-income students has skyrocketed to $1.8 billion.

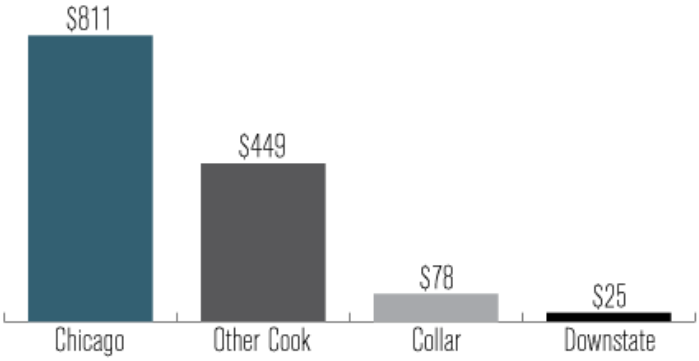
Property tax cap laws allow certain school districts across the state to exclude billions of dollars in property wealth when requesting GSA aid.

Property wealth excluded by school district, per region, 2013



These tax caps allow those districts to receive extraordinary GSA subsidies. Lower-reported property wealth means more GSA subsidies for those districts.

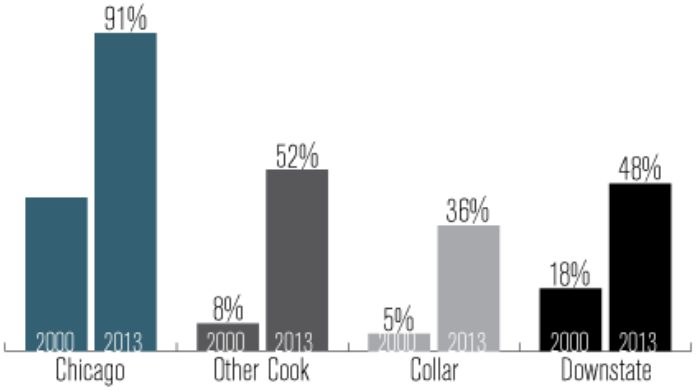
Property tax subsidy per student, 2013



These formula changes have disproportionately benefited Chicago, Cook County and its collar counties. Today, more than 90 percent of Chicago students are considered poor – in 2000, only 44 percent of Chicago students were considered poor.

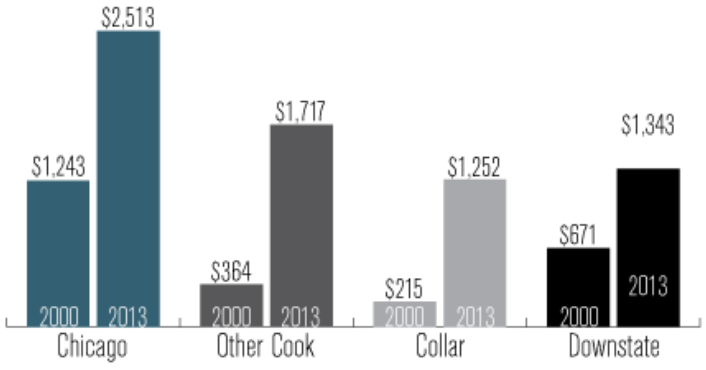
A new methodology introduced in 1999 for determining the number of low income students has caused the percentage of Illinois students considered poor to skyrocket..

Low-income students as a percentage of average daily attendance



Because of this, GSA sends increasingly more per-student grants to a district as its share of low-income students rises.

Poverty Grant funds per low-income student



THE SOLUTION

All special subsidies need to be ended immediately — the solution to Illinois' funding issues isn't about tweaking the formulas and making fixes so that political power between different regions in the state can be temporarily equalized. To fix Illinois' broken education system, financial power needs to be taken away from politicians and special interests. As long as they direct the system, it won't be about accountability – it will be about dollars and who controls them.

The only real solution is to transition to a new education funding system – one that provides parents with increasing control over the flow and distribution of money.

Illinois doesn't need to start from scratch. Alternatives already exist and have proven effective in other states across the country, including Wisconsin and Indiana.

WHY IT WORKS

A system where parents control the flow and distribution of money empowers families to hold schools accountable. And with more alternatives, parents can determine which school is best for their children's needs.

It's time for parents to control the flow and distribution of money in education. Only then will the struggle be about what really matters – how to educate Illinois children.

Statewide School Management Alliance Summary of Testimony Before the Senate Education Finance Advisory Committee (EFAC):

Broad Recommendations:

1. We recommend that a hold harmless provision be implemented and continue for an adequate period of time that will allow districts to make programmatic and operational decisions and for those decisions to be implemented.

2. We recommend that all non-federal unfunded mandates be reviewed by each local board of education with input from the school community and the broader taxpayer community through local public hearings.

3. We recommend that in order for educational funding to be sustainable and adequate, the state must take the necessary steps to eliminate its structural deficit.

Commentary and Recommendations Related to Current EFAC Considerations:

Scalable/Flexible: The formula should distribute resources fairly and logically under higher, lower, or stable revenues.

We support this consensus as long as the level of funding provides for an adequate educational experience for the least wealthy district in Illinois.

Predictable: The formula should provide predictable funding results to school districts.

We support this consensus and would suggest that March 1 is the latest that a district can respond to losses or gains in state funding.

Equalization: The formula should maximize equalization so that those districts with the least amount of local resources get the most state funding.

We support this consensus as long as equalization is defined as equal funding at a predetermined level of adequacy.

Formula variables that could be explored:

- Tax Rates (Currently 3.00% Unit, 2.30% Elementary, 1.05% High School).
- Reward for Effort
- Elimination of Flat Grant and Alternative Formula

Further modeling of the impact would be required prior to making any recommendations in these areas.

Student Weights: The model should provide greater weights for specific student groups, such as, at-risk, English language learners, and special education. The committee is also considering whether to include in this category gifted education (but requiring such to provide advanced placement, dual enrollment, etc.)

We support the concept of student weighting for identifiable differences where additional spending is required. However, a study of categorical funding would be required to identify any funding elements that are not student based.

School Level Accountability: This would require school districts to identify school level spending. The committee is considering whether to only require reporting, or to require specific spending levels per school.

We suggest school level accountability must be a local responsibility.

Condensed Funding Stream: The committee is considering whether the formula should consolidate multiple budget line items into one funding stream, allowing school districts to flexibly apply funding to maximize student outcomes while protecting at-risk student populations. Then, should anything be outside of the formula, such as: transportation, capital, special education?

If student weighting were incorporated into the formula, related funding streams would therefore be condensed into the funding system. However, certain categorical funding programs should not be condensed. These would include (at a minimum)

- Transportation
- Capital Funding
- Special Ed Private Placement
- Special Ed Personnel Reimbursement

Funding Level Changes: The committee is considering whether revenues should be increased, decreased, or held stable.

Revenues must be increased and the state's structural deficit eliminated. CTBA provides an excellent resource for potential changes to tax policy.

Encourage Consolidation: The committee is considering whether the formula should be used to encourage consolidation. "At a minimum", should the formula be structured to avoid subsidizing separate elementary and high school districts? Should the law be amended to equalize tax rates to encourage consolidation?

A funding formula is not the appropriate vehicle to incentivize consolidation.

Minimum Funding: The committee is considering whether school districts should receive a minimum level of funding from the State. If not, can unfunded districts be relieved of certain mandates?

Districts that do not financially qualify for aid should not be required to adhere to any non-federal unfunded mandates.

PTELL Adjustment: The committee is considering whether education funding should continue to support tax subsidies, such as the Property Tax Extension Limitation Law supplemental funding provision.

The PTELL Adjustment is not a tax subsidy and must remain as long as local property values are used as a means test for state revenue.

If the PTELL Adjustment is eliminated, PTELL should be eliminated as well.

Some Final Thoughts:

- We highly recommend that your final report include a call for funding of a more robust study around any particular parameters that you designate.
- EFAB was designed to establish an adequate Foundation Level. The legislature and the Governor should support it.
- Districts should be allowed to reconsider the implementation of unfunded non-federal state mandates.
- A new formula should be implemented only if it is intended to actually fund a basic and adequate program of instruction for every child.

Improving Education Funding For All Students
Funding Recommendations
December 2013

The Illinois Education Funding Advisory Committee recently requested recommendations for how our state might improve its education funding system. This document responds to this request.

The following recommendations address many of the salient questions about Illinois' current education funding system, and propose ways it might be strengthened. The recommendations are informed by research and best practices culled from other states such as Massachusetts, a state the Education Funding Advisory Committee looked to as an example. The recommendations reflect our best thinking to date, and we continue to draw upon additional research and the smart thinking of funding experts and educators alike. We offer these as a next step, not an end point.

Overview of recommendations for a comprehensive funding system:

- Pursue comprehensive reform of the education funding system to provide more equitable and adequate support for public schools. This includes a long-term strategy to reach full funding.

- Create an education funding system where the vast majority of state funds are distributed through a single, integrated formula.

- Design a single, integrated formula that includes the following components:

    - Calculate an adequate foundation level to support an average student;
    - Provide additional funding – calculated as a percent increase (weights) above the foundation level – associated with student need;
    - Determine the local contribution required based upon the school district's property wealth;
    - Fill the funding gap with state funding.

- Adjust the calculation of every school district's local contribution in the following ways:

    - Modify the PTELL Adjusted Equalized Assessed Value (EAV) such that it cannot fall below 70 percent of a school district's actual EAV;
    - Account for the pension payments shouldered by Chicago Public Schools.

- Restore immediately the $560 million lost due to the proration of General State Aid.

- Increase funding transparency and accountability

    - Pursue school-level financial reporting;
    - Make public the estimates of funds that should be spent on special student populations, such as English Language Learners and special needs students;
    - Bolster the level of oversight linked to student outcomes, and consider differentiated mandates based upon performance.

- Pursue an adequacy study to establish a new foundation level as a parallel effort. Efforts to reach full funding need not and should not wait on an adequacy study, but rather should proceed immediately.

Comprehensive funding system

- A single, integrated formula provides a simple, straight-forward and equitable means to distribute education funds for Illinois school districts. This should combine all General State Aid and the vast majority – all but two – of categorical grants.

  As noted above, an integrated formula would include a few key steps:

  - Calculate an adequate foundation level to support an average student;
  - Provide additional funding – calculated as a percent increase or weight above the foundation level – associated with student need;
  - Determine the local contribution required based upon the school district's property wealth;
  - Fill the funding gap with state funding.

- We recommend excluding two categorical grants from the integrated formula: early childhood funding and special education funding for students with low-incidence needs, students with severe and profound disabilities who typically represent one percent of the total student population.

  - Early childhood funding is provisioned quite differently, and for this reason should be excluded from an integrated funding formula. The ultimate success of any changes to how Illinois supports K-12 education will hinge, in part, on how Illinois supports and develops its youngest learners.
  - Special education funding for low-incidence special education students represents those students whose education costs at least 4 to 5 times the cost of a typically developing student. For this reason, we recommend this be excluded from an integrated funding formula and funded through a categorical grant.

- At present, we recommend including transportation funding within an integrated formula. The methodology for calculating transportation funding needs review. However, whatever method is used, payments should be based on school districts' ability to support education with local resources using a consistent approach across the funding formula.

- We have not researched the impact of including capital expenses in an integrated funding formula or how they should be distributed.

- A state education funding system should encompass all 862 school districts, and ensure that each receives some state funds. For some, this might take the form of a flat grant.

- The formula must be anomaly-free. It is important to ensure the distribution of state funds consistently is directed through a single formula. Put simply, the Chicago Block Grant should be folded into the integrated formula that would drive the distribution of state funds to Chicago Public Schools as well as other school districts.

Integrated formula: Foundation level

- The recommended foundation level put forth by the Education Funding Advisory Board (EFAB) of $8,672 is directionally correct and in line with the foundation levels determined by other state. This is more than $2,500-per student higher than the current foundation level set in statute as $6,119, a foundation level further diminished by proration.

- States typically develop a long-term plan to reach full funding required under a new foundation level. This typically is a 5- to 10-year process.

- In Illinois, a 7-year phase-in would require an incremental increase to the current foundation level of approximately $400 a year above inflation[1].

- This suggests a first-year foundation level of $6,519 in addition to an increase based on inflation. *This first step toward a truly adequate foundation level could be achieved in a revenue neutral manner*. This is, if the state changes how it distributes funds to consistently direct state support through a single, integrated formula, Illinois could ensure the dollars reach students and districts they are intended to serve. Put simply, if we do a better job on "how" Illinois distributes education funds, then the state can take a meaningful step forward on the challenge of "how much." This effectively can raise the foundation level $400 per student in year one without additional revenue.

Integrated Formula: Student Weights

- A majority of states provide an additional weight – calculated as a percent increase above the foundation level – based upon the specific needs of students and school districts for factors such as student poverty, special education needs or English language supports. At present, 30 states provide an additional funding weight for low-income students, 27 states for English language learners and 25 for students with special needs.

- We recommend that Illinois provide an additional weight for students who face particular challenges and require appropriate and targeted support if they are to reach their full potential. Fewer weights make the system simpler; too few make it inequitable. We recommend the state target the approximate weights of:

    - 40 percent weight for low-income students;

    - 20 percent for English Language Learners; and

    - 100 percent weight for students who receive special education services with an assumed special education enrollment per district of 14 percent, the current state average. As noted earlier, students with low-incidence disabilities who represent roughly 1 percent of the total student population would be funded through a separate categorical grant.

      NOTE: These weights are additive. Several states combine the weights assigned to any particular student, effectively capping the support provided.

- At present, Illinois is unable to reach these targets in a revenue-neutral system. Just as the state must develop a long-term plan to fund a truly adequate foundation level, so too must the state set forth a strategy to fund the additional support that some students require if they are to succeed. These weights could be informed by further analysis as part of an adequacy study.

    - In the revenue neutral approach, Illinois could fund between 40 and 70 percent of each of these weights.

[1] The Consumer Price Index (CPI) is often used as a measure of inflation. It is not clear, however, if CPI is the right indicator because it does not include the rapid rise of healthcare costs. This was noted by Massachusetts.

Low-Income Weight

- Illinois' current education funding system provides additional funding for low-income students in the form of the supplemental low-income grant. This allocates funds for every low-income student and the concentration of low-income students within a school district.

- If we translate the current poverty allocation into a weight, we calculate a total average weight for poverty of 16 percent.

- Decades of research and best practices culled from other states suggests a weight between 20 and 60 percent – with higher weights in high-poverty school districts. As noted, we recommend a poverty weight closer to 40 percent.

- By creating an integrated formula that includes poverty funding and accounts for a school district's ability to support education with local resources, the state could target more dollars for low-income students. Disadvantaged school districts with large concentrations of low-income students and few local resources to support them would receive more state support. School districts with more property wealth would receive less state support and cover this cost with local resources.

- The curvilinear nature of the funding allocation will remain in place. By accounting for the school district's ability to support education with local resources, however, the state could increase the support for low-income students in districts with limited local resources.

- It is important to note that a low foundation level poses a double whammy with weighted funding system. Disadvantaged school districts with concentrations of poor students confront a foundation level that does not adequately provide for the needs of average students; and this further hamstrings such districts because the additional funding for student poverty – calculated as a percent of the foundation level – is insufficient. The lower the foundation level, the higher the poverty weight must be to achieve an equitable funding system.

English Language Learner Weight

- We also recommend a weight for English Language Learners of approximately 20 percent.

- As noted, 27 states provide an additional weight for English Language Learners, though the increased funding varies with California and New Jersey assigning an additional 20 percent and 50 percent respectively for English Language Learners. It is important to note, however, that several states such as New Jersey calculate a combined weight for students who are both low-income and English Language Learners; this effectively caps the weight that any particular student can carry.

- Concern exists that such funding weights may have a perverse incentive of keeping students in programs longer than needed. Existing Illinois statute makes clear that students with limited English skills may participate in bilingual programs until they are proficient or three years have passed – whichever comes first. This helps to mitigate such concerns.

Special Education Weight

- We recommend an additional weight of 100 percent for special education students with an assumed district special education enrollment of 14 percent, the current state average.

- We also recommend that low-incidence special education students who represent 1 percent of the total student enrollment be supported through a separate categorical grant.

- States vary in how to fund the additional and exceptional needs of special education students. Ohio, for instance, integrates special education within the larger funding formula and assigns a continuum of weights based upon student need that range from 29 percent for high-incidence disabilities to 472 percent for extremely low-incidence disabilities. New Jersey provides an additional $10,898 for every special education student with an assumed district enrollment of 14.7 percent. In addition, New Jersey allocates separate funding for speech-only special education students (1.9 percent of the district enrollment) at $1,082.

- Concerns also exist that funding weights may incent student placements. States also have approaches to mitigate this concern. Massachusetts, Pennsylvania and New Jersey, as mentioned above, have a so-called census based approach that assumes a level of special education need for all districts.

Student Poverty Counts

- There is no perfect approach to counting low-income students in Illinois. The changing federal landscape of regulation for both Medicare as well as the Free and Reduced Lunch Program will require ongoing discussion of how Illinois approaches student poverty counts. We recommend the best approach to identifying low-income students will continue to leverage data from the Department of Human Services (DHS), but this must be verified with student enrollment data collected by school districts.

- Determining who is a low-income student is not simple. Illinois should have a clearer definition of the level of family earnings that determine which students will be counted as low income. This generally is defined in relation to the federal definition of poverty.

    - DHS eligibility is defined as 200 percent of the poverty line, a family of four earning $47,100 annually.

    - Free and reduced lunch eligibility is 185 percent of the poverty line, defined as a family of four earning $43,567 annually.

    - Free lunch eligibility is 135 percent of the poverty line, defined as a family of four earning $31,792.

    - As Illinois considers this definition, it is important to reflect on the distinct challenges posed by the depth of poverty such as a family of four living at 50 percent of the poverty line, or $11,775 annually.

- Despite such differences, the DHS count only recently rose above Free and Reduced lunch count in Illinois.

- Illinois' relatively low poverty weight overwhelms the approach to identifying low-income students. Even if DHS eligibility leads to slightly higher counts, however, a count that is 10 percent higher only leads to a small increase in overall poverty weight (from 16 to 21 percent).

- One area of concern regarding poverty counts is calculating the DHS percent. By using DHS count divided by average daily attendance, a school district's lower attendance rates actually boosts their poverty concentration, and thus their eligibility for additional funding. This is a perverse incentive. The formula instead should be calculated as the DHS count divided by a school district's enrollment.

PTELL Adjustments and Pensions

- The PTELL adjustment impacts the calculation of a school district's ability to support education with local resources, and this, in turn, determines the level of state support that every school district receives. Several proposals emerged recently to propose a PTELL floor. For instance, the Illinois State Board of Education considered a PTELL floor of 70 percent. This means the equalized assessed value (EAV) of local property that is used to calculate General State Aid payments may not fall below 70 percent of the actual EAV within a school district.

- Chicago Public Schools is the only Illinois school district that shoulders the cost of its pension obligations. This should be considered within the context of a school district's ability to support education with local resources. It should be noted that Chicago does not have a separate tax to cover pension payments. One approach to this could be to remove the pension payment from Chicago's calculated amount that it can pay towards education.

Revenues

- Any initial plans to revamp the education funding system should begin with a revenue-neutral baseline.

- The $560 million lost to the proration of General State Aid payments, however, should be restored to the funding system immediately.

    - *We recommend that a funding solution must make the system whole and eliminate the possibility for proration*. In the long term, the state should pursue statutory language that makes certain proration no longer will occur moving forward. In the short term, the state should pass legislation to make sure any such reductions are spread equitably among districts in a non-regressive manner.

- If there is a pension cost shift, then we recommend that the "savings" from such a move should be directed – in full and immediately – back into the new funding formula. Such an influx of revenues could support the second year increase toward a fully funded foundation level.

Accountability

- Education funding and accountability must support one another. There are two types of accountability that should be addressed: spending accountability and performance accountability.

- A first step toward spending accountability is funding transparency. The state should consider moving toward school-based accounting that allows reporting on the per-student funding at every school.

    - This information currently is reported only at the school district level in all but one state - Hawaii.
    - Transitioning to school-based accounting is not an insignificant step. It would require extensive conversation and research about accounting rules and practices, such as how district costs are distributed across schools.

- The education funding system should provide and make public the estimated dollars that should be spent based upon the student weights described above. This information would provide a clear picture of the total funding dedicated to support all students, be they low-income students, English language learners or students receiving special education services.

- Whether at the district-level or school-level, independent organizations and advocates could track how closely school districts adhere to the estimated spending for all student populations. Does more money support the

education of low-income students compared with the amount recommended by the weighted student funding estimate?

- On performance accountability, Illinois continues to develop a new accountability system where schools could be evaluated using a comprehensive index of student performance – drawing upon progress and proficiency – and student outcomes such as graduation and school climate. It is critical that such performance measures account for specific student populations, and make clear the appropriate supports and interventions where performance consistently lags.

- Within such an accountability system, the state should consider differentiated mandates to provide more autonomy for consistently high-performing schools. Chronically low-performing schools could have more stringent requirements or a closer audit to see how they comply with existing regulations for student services.

- We do not advocate for performance funding, the loss or gain of education funds based upon student outcomes.

Additional Study Needed

- Illinois should develop a plan to reach a truly adequate foundation level, using as a guidepost the EFAB-recommended foundation level of $8,672 per student. At the same time, Illinois should pursue an adequacy study. The two can progress in parallel. Efforts to reach full funding need not and should not wait on an adequacy study, but rather should proceed immediately.

- Illinois currently uses a successful schools model to determine the foundation level. We think this approach is sound in that it identifies efficient school districts and focuses on student outcomes. The current model has technical issues and needs to be updated, however.

- Most states pursue one of two approaches to determine an adequate level of per-student funding: the successful schools model used in Illinois or the resource-based model. Both have merit, and both increasingly inform each other. As part of its 2002 adequacy study, Maryland commissioned two organizations to run both models. This informed the state's foundation level.

- As part of an adequacy study, Illinois might consider whether the state should differentiate the foundation level based upon grade spans. Several states create a distinct foundation level for kindergarten through third grade, the middle grades and secondary levels. For instance, California's new funding system adjusts the target base rate for grade spans as follows: $6,845 for K-3, $6,947 for 4-6, $7,154 for 7-8 and $8,289 for 9-12.

- An adequacy study also should consider whether Illinois' foundation level should include a regionalization factor. Illinois is a large, geographically diverse and populous state. Currently, at least 11 states include a geographic cost index in their funding formula. These include three of the five most populous states: Florida, Texas and New York.

    - Several technical approaches exist to develop a regionalization factor, including a wage index or a hedonic index. These have been more refined during recent years and merit further investigation.

The Challenge Before Us

- As a state, we should ask ourselves what we ought to expect of a public education for our students.

- If Illinois invests in public education, we contend that it is reasonable to expect in return that 1) all students receive a public education that prepares them for a 21st Century world with subjects like art and music in addition to math and science, and 2) any dollars come with assurances that they will be well spent and achieve results for our students.

- In schools across our state, we see evidence that critical elements of a full public education are being lost, elements like the fine arts and gym. Our students need not only math, but also music; not only English language arts, but also foreign language if they are to succeed in an increasingly competitive and interconnected world.

- Illinois put forth a comprehensive plan in recent years to strengthen public education. Yet the steady drain of resources at a time when students, educators and schools face higher expectations threatens to undermine such improvement efforts. This work must be supported if they are to succeed.

- It is our job, as adults, to support a public education system that prepares the next generation of Illinois students for the challenges ahead. All means all.

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Advance
ILLINOIS

EVERY STUDENT WORLD READY

Improving Education Funding For All Students

December 2, 2013

ISBE's principles ultimately should guide any funding solution

ISBE funding principles	
✓Equity	Begins with everyone contributing a minimum tax rate and adjusts for student need by weighting the formula to allow for additional resources to address impediments to student achievement
✓Adequacy	Provides a level of funding sufficient for a high quality education
✓Outcome-focused	Encourages student growth in learning
✓Simplicity	Provides districts a predictable, understandable revenue stream that is used to maximize student outcomes
✓Transparency	Is easily accessed and understood by all citizens

There is a path forward to improve how IL supports public education in line with ISBE's principles

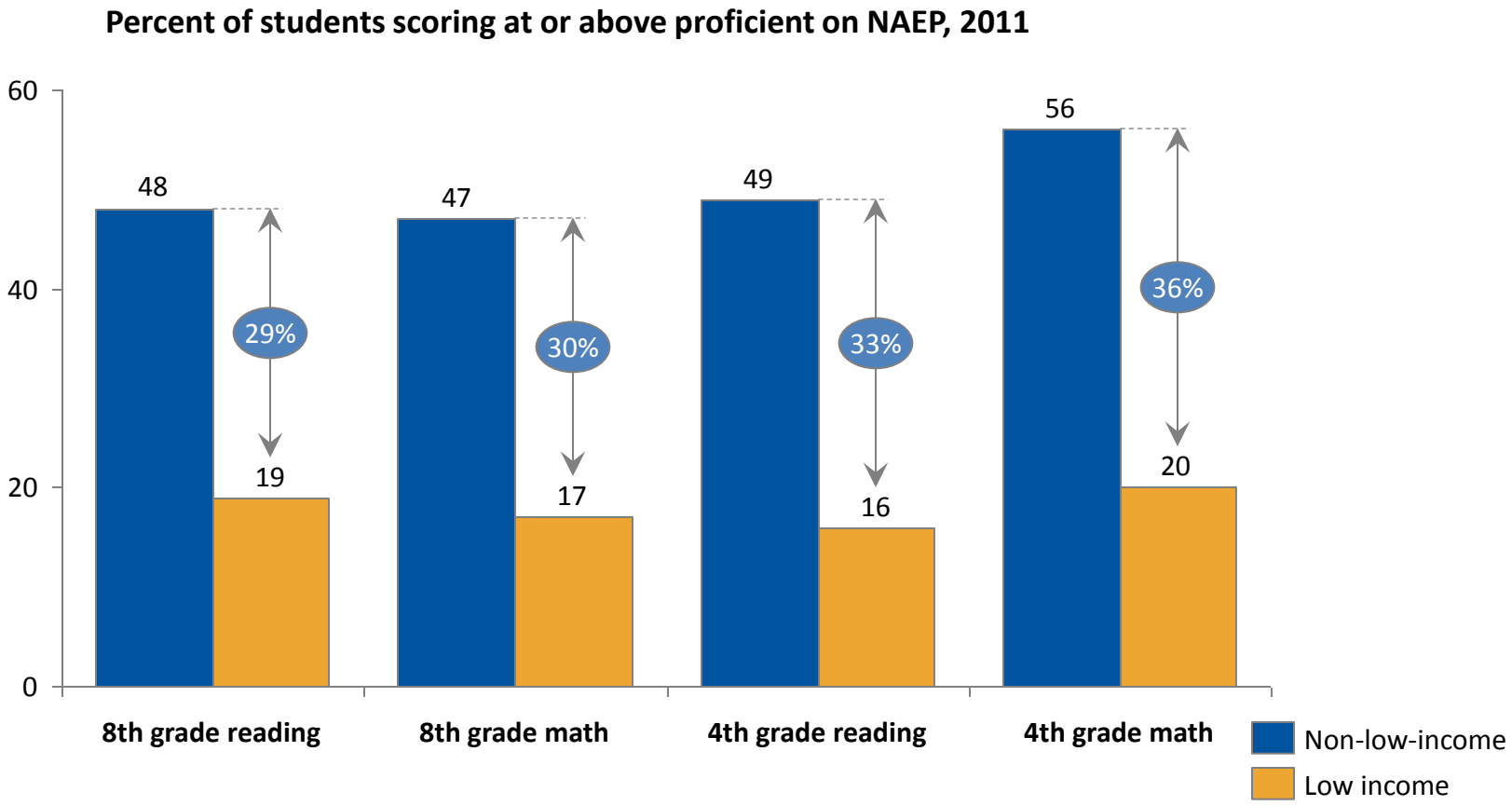
- **We propose an integrated funding formula that would be simple, straightforward, and more equitable**
  - Funds directed based on student and district needs/characteristics
  - Transparently distributes all available state funds (GSA plus most categoricals) according to a school district's ability to pay

- **A more equitable, principles-based approach to funding will give all IL students the best chance at success**
  - The longer we wait, the more we fail the students of IL

- **With this change, we can improve how Illinois supports public education and build a foundation on which to address additional key funding issues such as adequacy and accountability**

Today's objectives: share our view of why the time is now to address IL school funding and discuss a potential path forward

Illinois school performance is middling overall, and low-income students are falling further behind



Rank of IL's gap	42nd	40th	46th	44th

Note: Illinois'' overall performance ranks 25th-30th among all states, depending on subject.

Source: NCES National Assessment of Educational Progress, 2003-2011

IL has advanced landmark reforms to improve education…
ISBE-led initiatives strive to improve the quality of our education, a few examples:

	Student Standards, Assessments and Transitions	Teacher and Leader Effectiveness	Data and Information Technology	Accountability and Governance	School Transformations, Options and Access
	Set high, relevant and real-life standards for students and improve assessments to reflect college- and career-ready expectations.	*Raise standards and provide supports for teachers and principals to continually improve their instructional practice*	*Build a longitudinal data system that provides educators and families with timely information about how students perform and progress though the educational system*	*Improve accountability for the entire education system, from early education through postsecondary, and clearly communicate the results to the public.*	*Improve chronically low-performing schools and districts, and create additional options and access for families.*
Pre-2012	• Adopted the rigorous Common Core State Standards (2010) • Joined multistate effort to develop Next Generation Science standards (2011)	• Created a new principal endorsement that includes preschool and calls for competency-based field experience (2010)	• Received $20 million+ in federal funds to build a longitudinal data system (2009)	• Illinois P-20 Council appointed (2009) • Illinois Budgeting for Results Commission appointed (2011)	• Committed to serve 3- and 4-year-olds in need with state-funded preschool programs (2006) • Required that eligible students receive bilingual instruction (2010) • Created the Illinois Charted School Commission (2011) • Received $210 million in federal School Improvement Grants (2010-14) • Awarded improvement grants to 28 low-performing high schools in 10 districts (2010-12)
2012	• Implements learning standards for birth though age 5 • Creates STEM Learning Exchanges • Launches Kindergarten Individual Development Survey (KIDS) pilot with 5,000 students • Works to align standards between K-12 and community college • 9th-graders take EXPLORE and 10th-graders take PLAN	• Raises expectations for entry to teacher prep programs • Trains all evaluators in accord with new educator evaluations • Begins new principal evaluations • Begins new educator evaluations in 300 Chicago Public Schools • Pilots new performance assessment for teacher candidates • Develops new educator licensing system • Approves principal programs around new standards (2012-14)	• Creates governance for longitudinal data system	• Redesigns early childhood Quality Counts rating system to include performance	• Intervenes in two chronically low-performing school districts: East St. Louis and North Chicago • Establishes the Center for School Improvement
2013	• Implements the rigorous Common Core State Standards • Partners with Colorado to provide assessment support • Raises ISAT cut score to reflect college and career readiness • 11th-graders take WorkKeys (job skills)	• Redesigns early childhood, elementary and middle school teacher prep programs to new standards • Bases school reductions-in-force decisions on evaluation performance ratings • Redesigns superintendent prep programs to new standards	• Administers school climate surveys ("The Five Essentials") statewide • Pilots Shared Learning Environment to give teachers real-time • Launches Shared Learning Environment in Race to the Top districts • Launches longitudinal data system	• Requires child care providers to enroll in Quality Counts as condition for relicensing • Releases redesigned report cards for schools and districts	
2014	• Expands kindergarten readiness pilot to include 10,000 children	• Redesigns high school teacher prep programs to new standards	• Extends Shared Learning Environment to school districts statewide		
2015	• Administers new state exams aligned to Common Core (Spring) • Implements kindergarten-readiness measure in schools statewide	• Implements new educator evaluations in schools statewide • Implements new performance-based student teacher assessment			

IL faces several key constraints to funding equity

Regressive approach to proration furthers funding inequities	State funds comprise only ~25% of total spending	Lack of connection between poverty and most state funding	Local ability to pay not adequately accounted for
FY2013: IL only covered 89% of the $6,119 foundation level • Cost districts $522M • Poorest quintile students lost 5.4% of OEPP • Least poor quintile lost 0.5% of OEPP • Similar trends seen across wealth quintiles	**Every state dollar must be put to effective use and directed where it is most needed.** **Wealthiest districts fund far in excess of state average through local revenues**	**69% of state spending is allocated without regard to district poverty** • Cost districts $522M • Formula GSA and categoricals not distributed against poverty	**47% of state spending does not account for district wealth** • Supplemental and categorical grants do not consider wealth **PTELL[1] understates the true ability to pay of some districts**

IL funding system must be adjusted if the state is to effectively support all students and schools

Source: NCES Data Center, ISBE, BCG analysis

A potential approach to improve funding

For all the complexity of the current funding system, a solution comes down to two fundamental questions

Key question	Additional considerations

1 **How much should a student be funded to receive a full education?**	• What is an adequate foundation level?
	• What is the right set of weights to capture need?
	  – What to weight (e.g. poverty, ELL, special education)?
	  – How much to weight?
	• What categoricals should be included for distribution?
	• How to correctly account for regional cost differences?
	• What is the correct approach to early childhood funding?

2 **How much can the local community provide?**	• How to proceed with PTELL adjustment? • How to account for the differential treatment of pension costs in Chicago? • Do the current assumed tax rates accurately reflect local tax efforts?
Additional questions	• How will funding complement the state's emerging accountability system and support student outcomes?

Determining the foundation level and how funding can complement efforts to improve outcomes must be addressed

There are lessons to be learned from other states that have adjusted their funding models against key principles

Target high needs students with weights

Can range from the simple...
- RI: Additional weight for low-income students only

...to the complex
- NJ: Weights for grade levels; weights for special ed, limited English proficiency (LEP), low-income students
- MA: Multiply students in 14 categories (e.g. grade levels, low-income, special ed) by cost rates in 11 areas

Unclear whether weighting for more variables improves equity

Simplify and consolidate formula

Careful establishment of the foundation amount eliminates the need for large categorical spend
- Should represent the adequacy level of spending
- RI, NJ, CT spent a majority of their reform efforts determining the "right" foundation level

Simple formulas are difficult for legislators to game
- RI, DE, WI, CT all suffered from legislators making incremental changes for self-serving purposes

Tie all funding streams to district need and/or ability to pay

State share ratio is the biggest driver of distribution
- Determined by district wealth (WI, CO), poverty, or both (RI, CT)

Minimize (categorical) spend that occurs outside of the formula
- RI: Foundation funding accounts for 99% of state aid

In more complex models, district-level weights can account for cost of living, cost of personnel, and size

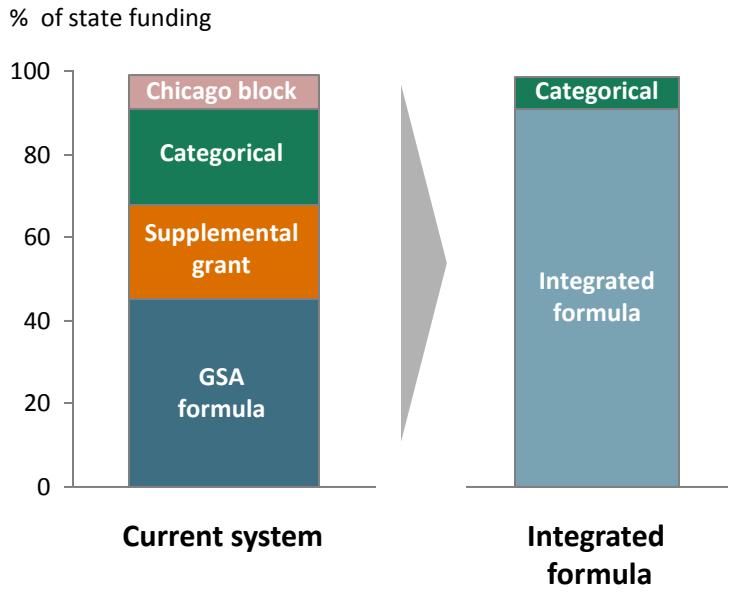
Require districts to be more accountable for improving student outcomes

District accountability requirements ensure state dollars are being effectively spent...
- CA, MD: districts share spending plans to show how they plan to improve outcomes and opportunities

... while also allowing for local control over resource allocation
- CA, MD: districts that show improvement maintain funding flexibility and discretion over funding distribution

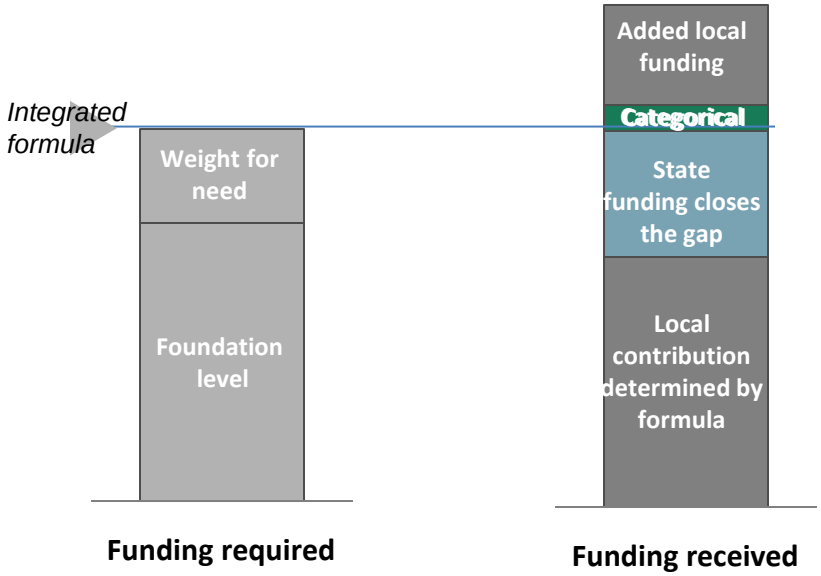
An integrated funding formula distributes funds in a simple, equitable manner that accounts for need and local resources

An integrated formula can simplify how state dollars are distributed...



- Combine all GSA and most categoricals[1] and allocate according to a single, transparent, integrated formula
- Ensure distributions are anomaly free

...while funding districts according to student need and local ability to pay



- Foundation level set to provide base adequacy
- Weight for need according to student/ district characteristics

- All funds means tested against local wealth
- State funding fills the gap to required amount
- Districts can fund more using local tax revenues

1.See backup page for additional detail on categoricals included in formula
Source: ISBE 2014 Budget Book, ISBE FY13 State Disbursements

While the method to obtain the foundation level should be reconsidered, the current recommendation is not unreasonable

Benchmarks of IL and other states confirm $8,672 EFAB recommendation is reasonable

IL analysis

IL districts spend about $8,500 per student controlling for:

- Poverty
- Spending between 20th and 80th percentiles

Other states

State	Foundation level
California	• K-3: $7,557 • 4-6: $6,947 • 7-8: $7,154 • High school: $8,505
Massachusetts	• Elementary: $7,152 • High school: $8,545
Rhode Island	• $8,295 (all grades)

We can use current EFAB number while studying the Foundation level

- Should regional cost variations be incorporated in the funding formula?
- Should elementary/ middle/high schools be funded differently?
- We need to make technical fixes to current adequacy approach.

The $6,119 legislated foundation level is 30%+ below EFAB recommendation and needs to be revisited

Illinois' current weight for poverty is quite low compared to other states

Illinois weight for poverty is 16 percent

The current Illinois weight for poverty can be calculated from the current formula:

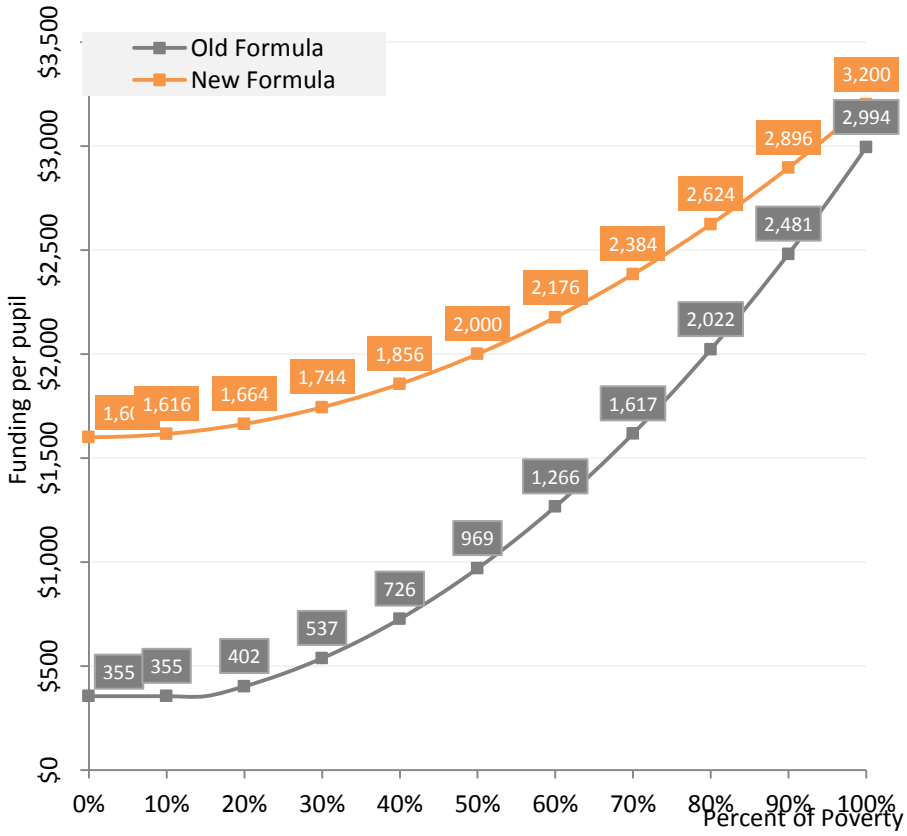
- For each poor student, districts receive $294 ($355 if the district has less than 15% poverty):

$$\frac{294}{6119} = 5\%$$

- The rest of the poverty grant funds each poor student based upon the concentration of student poverty within the district. Using the average poverty in Illinois the total weight equals:

$$\frac{(49\%)^2 x 2700}{6119} = 11\%$$

We propose increasing the poverty amount across all low-income levels (an example)



This model reduces the gap in per-student poverty allocation from ~$2,700 to ~$1,600

We tested whether an integrated formula could meaningfully improve IL education funding and increase equity

We modeled a hypothetical scenario that...

- Combines and distributes all GSA and most categorical funding with a single, integrated formula that is simple and transparent
- Incorporates the effects of proration
  - We believe full funding should be restored immediately
- Increases weights for low-income students and districts
- Means tests all state distributions
- Maintains PTELL adjustment for purposes of this analysis
  - Should be reconsidered in further analytical efforts

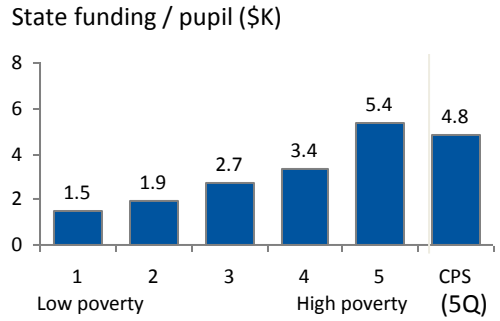
An integrated formula can significantly improve funding equity in IL

An integrated formula can distribute state funds more equitably

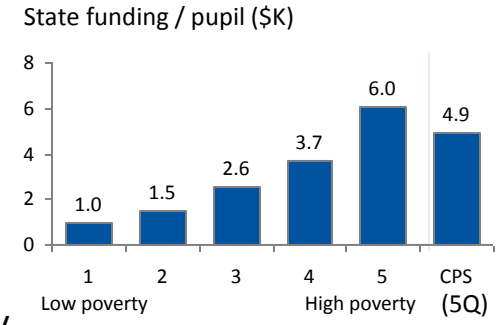
Highest poverty and lowest wealth quintiles see an increase in state funding

Student poverty

From: State funding progressive for highest poverty districts



To: State funding heavily skews toward highest poverty districts



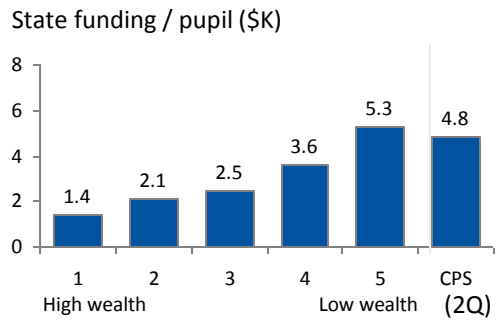
Change/ Pupil ($K)	(0.5)	(0.4)	(0.1)	0.3	0.7	0.1
Total change ($M)	(164)	(127)	(45)	88	190	38

Key observations

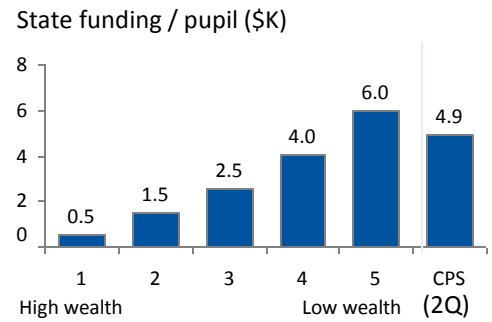
- Highest poverty quintile show the most significant gains

Property wealth

From: State funding highest for lowest wealth districts



To: State funding that heavily favors lowest wealth districts



Change/ Pupil ($K)	(0.9)	(0.6)	0.1	0.4	0.7	0.1
Total change ($M)	(258)	(170)	22	127	220	38

- Poorest quintile districts receive majority of all gains

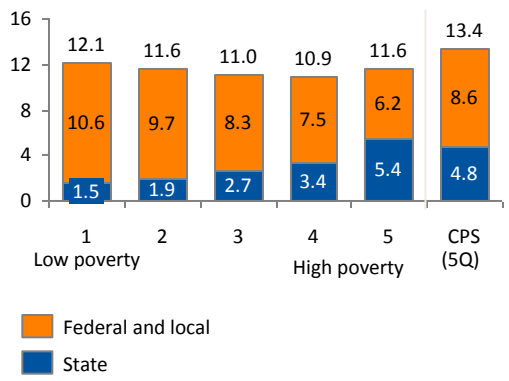
Note: Based on an average poverty weight of 26%, analysis excludes: Bellwood, East St. Louis, Maywood-Melrose Park-Broadview and Webber Township due to lack of data

Despite limited funds, altering formula can increase overall equity

An integrated formula consistently directs state funds where they are needed most

Student poverty

From: Total funding shows little relation to poverty level



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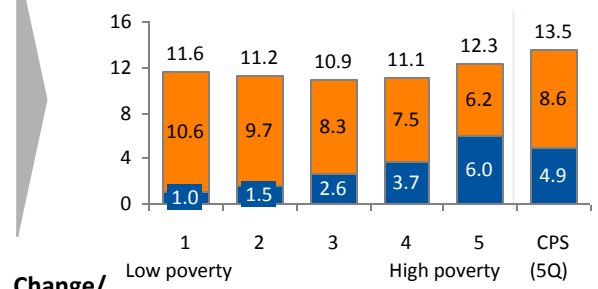
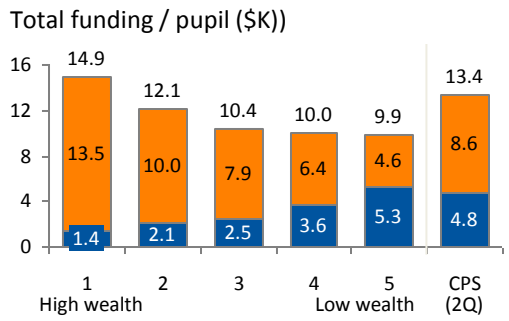


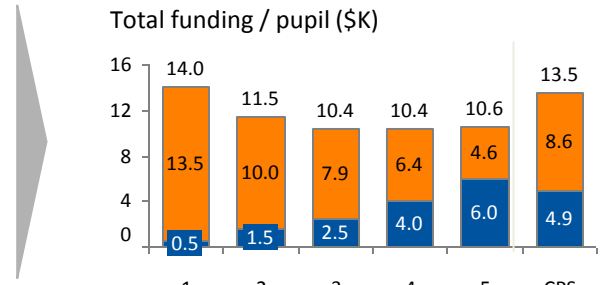
	1 Low poverty	2	3	4	5 High poverty	CPS (5Q)
Change/ Pupil ($K)	(0.5)	(0.4)	(0.1)	0.3	0.7	0.1
Total change ($M)	(164)	(127)	(45)	88	190	38

Property wealth

From: Total funding follows local wealth



To: Total funding disparities across quintiles muted



	1 High wealth	2	3	4	5 Low wealth	CPS (2Q)
Change/ Pupil ($K)	(0.9)	(0.6)	0.1	0.4	0.7	0.1
Total change ($M)	(258)	(170)	22	127	220	38

Key observations

- Achieves more progressive total funding distribution
- Given size of local funding, the impact state dollars can have on equity is limited – however, we believe this to be a meaningful step in the right direction

Note: Based on an average poverty weight of 26%, analysis excludes: Bellwood, East St. Louis, Maywood-Melrose Park-Broadview and Webber Township due to lack of data

Eliminating proration allows the integrated formula to make the system more equitable while addressing a root cause of inequity

Student poverty

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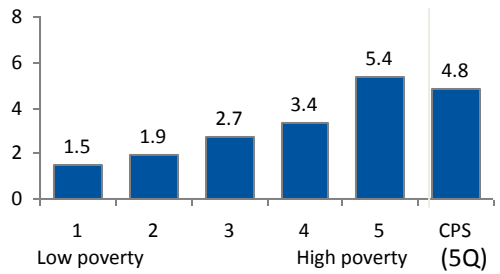

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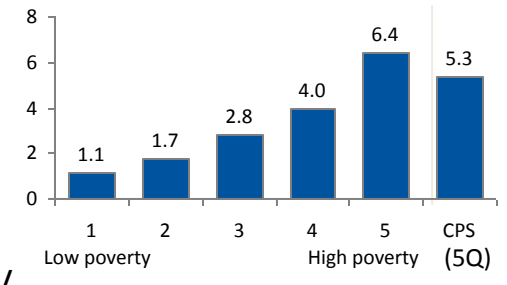


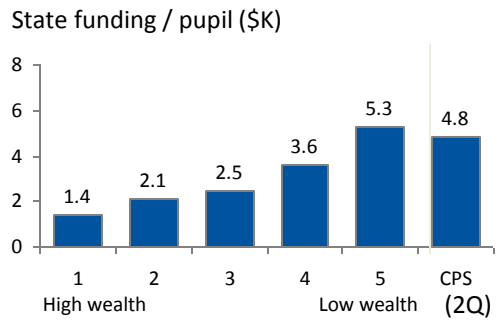
	1	2	3	4	5	CPS (5Q)
Change/ Pupil ($K)	(0.4)	(0.2)	0.1	0.6	1.0	0.5
Total change ($M)	(118)	(67)	32	178	298	177

Key observations

- Three highest poverty quintiles gain when proration is removed and an integrated formula is used

Property wealth

From: State funding highest for lowest wealth districts



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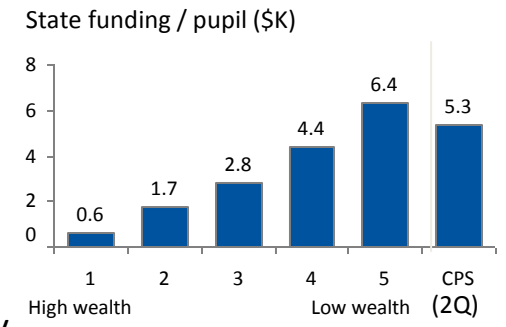


	1	2	3	4	5	CPS (2Q)
Change/ Pupil ($K)	(0.8)	(0.4)	0.4	0.8	1.1	0.5
Total change ($M)	(231)	(110)	115	225	324	177

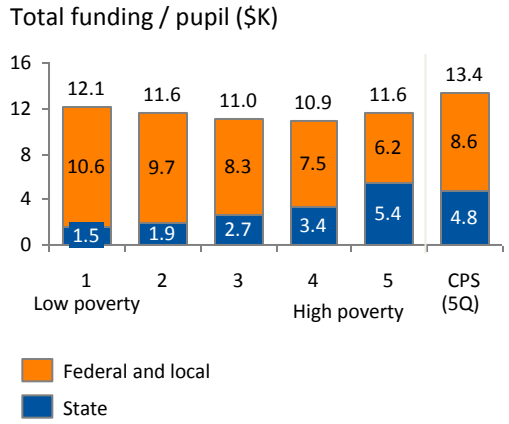
- Three poorest quintile districts receive significant gains

Note: Based on an average poverty weight of 26%, analysis excludes: Bellwood, East St. Louis, Maywood-Melrose Park-Broadview and Webber Township due to lack of data

Eliminating proration along with an integrated formula transforms overall funding

Student poverty

From: Total funding shows little relation to poverty level



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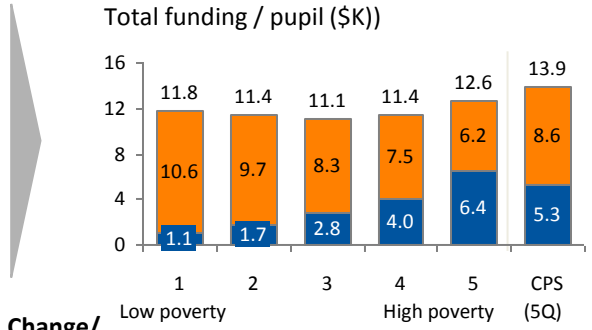


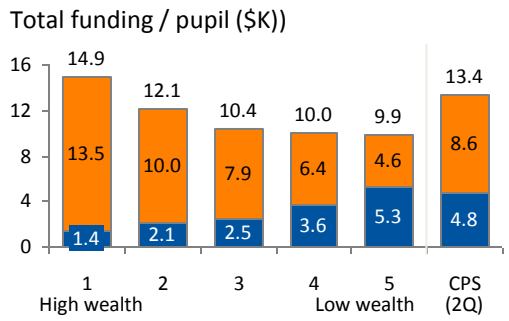
	1 Low poverty	2	3	4 High poverty	5	CPS (5Q)
Change/ Pupil ($K)	(0.4)	(0.2)	0.1	0.6	1.0	0.5
Total change ($M)	(118)	(67)	32	178	298	177

Key observations

- Achieves more progressive total funding distribution
- Eliminating proration provides a strong lever to increase the overall funding equity in IL

Property wealth

From: Total funding follows local wealth



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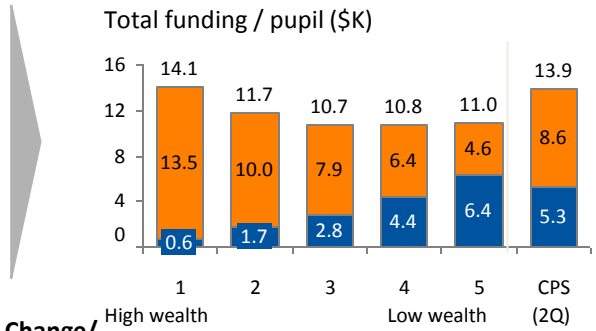

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Change/ Pupil ($K)	(0.8)	(0.4)	0.4	0.8	1.1	0.5
Total change ($M)	(231)	(110)	115	225	324	177

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Education funding and accountability must work in cooperation[1]

Education accountability systems consist of two main components

Spending accountability

- School-based accounting provides transparency into how dollars are spent and allows for more effective analysis of spending.

Performance accountability

- Funding systems should support efforts to improve student performance and outcomes, and complement IL's emerging accountability system

- ISBE has already begun developing an accountability system where schools will be evaluated using a comprehensive index of student performance (progress *and* proficiency) and school climate

- This new accountability system for schools will allow for supports and interventions:
  - High-performing schools will be recognized and their best practices offered as an example
  - Low-performing schools will undergo audits; and where necessary interventions to provide the support needed to improve teaching and learning for students.
  - In chronically low-performing districts, the state could takeover and make fundamental structural changes.

The state might consider differentiated mandates based on performance

1. Per Mike Griffith , of the Education Commission of the States , testimony to the EFAC, 10/16/2013

Our recommendations are designed to improve IL education funding in line with ISBE's principles

Funding system recommendations

- Design and implement a single, integrated formula that is simple and transparent
- Make the funding system whole
  - Eliminate the need for proration
- Accurately account for student and district need
- Means test the vast majority of state funds
- Raise foundation level to adequate level
- Leverage state performance and accountability initiatives to ensure funding supports improved outcomes

ISBE principles

- ✓ Equity
- ✓ Adequacy
- ✓ Outcome-focused
- ✓ Simplicity
- ✓ Transparency

Improving IL's education funding system to better serve all students is vital; this can serve as a foundation to address additional issues

We must improve education to help all students reach their potential

If Illinois invests in public education, we recommend it is reasonable to expect in return that:

- **All students receive a public education that prepares them for the 21st Century with subjects like art and music in addition to math and science;**
- **Any dollars come with assurances that they will be well spent and achieve results for our students.**

Illinois put forth a comprehensive plan in recent years to strengthen public education. Yet the drain of state resources at a time when schools, educators and students face higher expectations threatens to undermine such improvements. This work must be supported if students are to succeed.

It is our job, as adults, to support a public education system that prepares the next generation of Illinois students for the challenges ahead. All means all.