

## **ILLINOIS SENATE EDUCATION FUNDING ADVISORY COMMITTEE**

Location: Springfield School District 186  
1900 W. Monroe St., Springfield, IL  
12:30 – 4:30 pm

**12:30 p.m.**

**Welcome:** Superintendent Robert A. Leming

**Opening Remarks:** Committee Co-Chairs

**12:40 – 2:30 p.m.**

**Presentations from Stakeholders**

Larry Joseph, Voices for Illinois Children  
Larry Frank, IEA  
Cynthia Riseman, IFT  
Ginger Ostro, Chicago Public Schools  
Jessica Handy, Stand for Children  
Erika Lindley, ED-RED and Diane Rutledge, LUDA

**2:30 – 4:30 p.m.**

**Discussion: Illinois' Funding Formula** led by Mike Griffith, ECS

## **SUPPLEMENTAL GENERAL STATE AID**

### **Targeting Resources for Low-Income Students**

**SUBMITTED TO THE SENATE ADVISORY COMMITTEE ON EDUCATION FUNDING**

**Larry Joseph**  
**Director, Fiscal Policy Center**

Supplemental General State Aid is designed to provide additional funding to meet the needs of students from low-income households, as well as to recognize the higher costs associated with larger concentrations of low-income students. The current formula, instituted in FY 2004, has significant flaws. The low-income student count is not an accurate reflection of the underlying low-income child population. The adjustment for low-income concentration has the effect of shifting resources away from districts that are closest to 50 percent low-income. The base grant per low-income pupil has not changed in ten years.

Viable solutions for Supplemental GSA are less clear than the flaws in the current system. Any comprehensive set of changes would have widely disparate effects across school districts. Education funding reform for Illinois should be based on detailed analysis of the impact of proposed changes. Funding formulas that seem reasonable in the abstract can produce unintended consequences for the allocation of funding.

#### **Background**

General State Aid (GSA) to local school districts has two main components — regular GSA ("formula grants") and supplemental GSA (low-income grants). GSA formula grants represent the state share of the "foundation level," which is designed to provide a minimum amount of funding per pupil from the combination of state and local resources. For most school district, GSA per pupil is calculated as the foundation level minus a district's "available local resources" per pupil, which are based primarily on the property tax wealth.

Supplemental GSA is designed to provide funding to meet the needs of students from low-income households, as well as to recognize the higher costs associated with larger concentrations of low-income students. The term "poverty grants" is often used to refer to Supplemental GSA, but this term is a misnomer. The target population is children in *low-income* households.<sup>1</sup> "Low-income" generally means household income below 200 percent of the federal poverty level (FPL). The low-income child population is about twice the size of child poverty population (see Exhibits 1 and 2).

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<sup>1</sup> The statute on Supplemental GSA makes no reference to poverty or poverty grants (105 ILCS 5/18-8.05, Subsection H).

**Exhibit 1: Federal Poverty Guidelines, 2013**

	100% FPL	200% FPL
Single parent, one child	\$15,510	\$31,020
Single parent, two children	19,530	39,060
Married couple, one child	19,530	39,060
Married couple, two children	23,550	47,100

FPL = federal poverty level

Source: U.S. Department of Health and Human Services.

**Exhibit 2: Low-Income Children in Illinois, 2012**

	Number (1,000s)	Pct.
Below 200% FPL	1,262	42%
Below 100% FPL	624	21%

FPL = federal poverty level

Source: U.S. Census, American Community Survey.

The current Supplemental GSA formula was recommended by the Education Funding Advisory Board in October 2002 and was implemented in FY 2004. The formula was phased in for school districts that would get more funding than under the previous formula. These school districts first received the full amount under the new formula in FY 2007. School districts that would receive less funding under the new formula were held harmless at the FY 2003 level. Phase-out of the hold-harmless provision was scheduled to begin in FY 2005 but did not start until FY 2010. The phase-out was completed in FY 2012.

## Low-Income Student Count

For purposes of Supplemental GSA, the low-income student population for each school district is based on a three-year average of a Department of Human Services count of children enrolled in Medicaid, the Children's Health Insurance Program (CHIP), the Supplemental Nutrition Assistance Program (SNAP), or Temporary Assistance for Needy Families (TANF). This low-income count primarily reflects enrollment in Medicaid and CHIP (see Exhibit 3).

A different low-income student count is used in State Board of Education's School Report Card. This count is based primarily on eligibility for free or reduced-price meals through the National School Lunch Program (NSLP), which has an income eligibility limit of 185 percent of FPL (see Exhibit 3). When the current formula for low-income grants was adopted, the DHS count was regarded as more accurate than a count based on NSLP.<sup>2</sup>

### Exhibit 3: Basis of Low-Income Student Counts

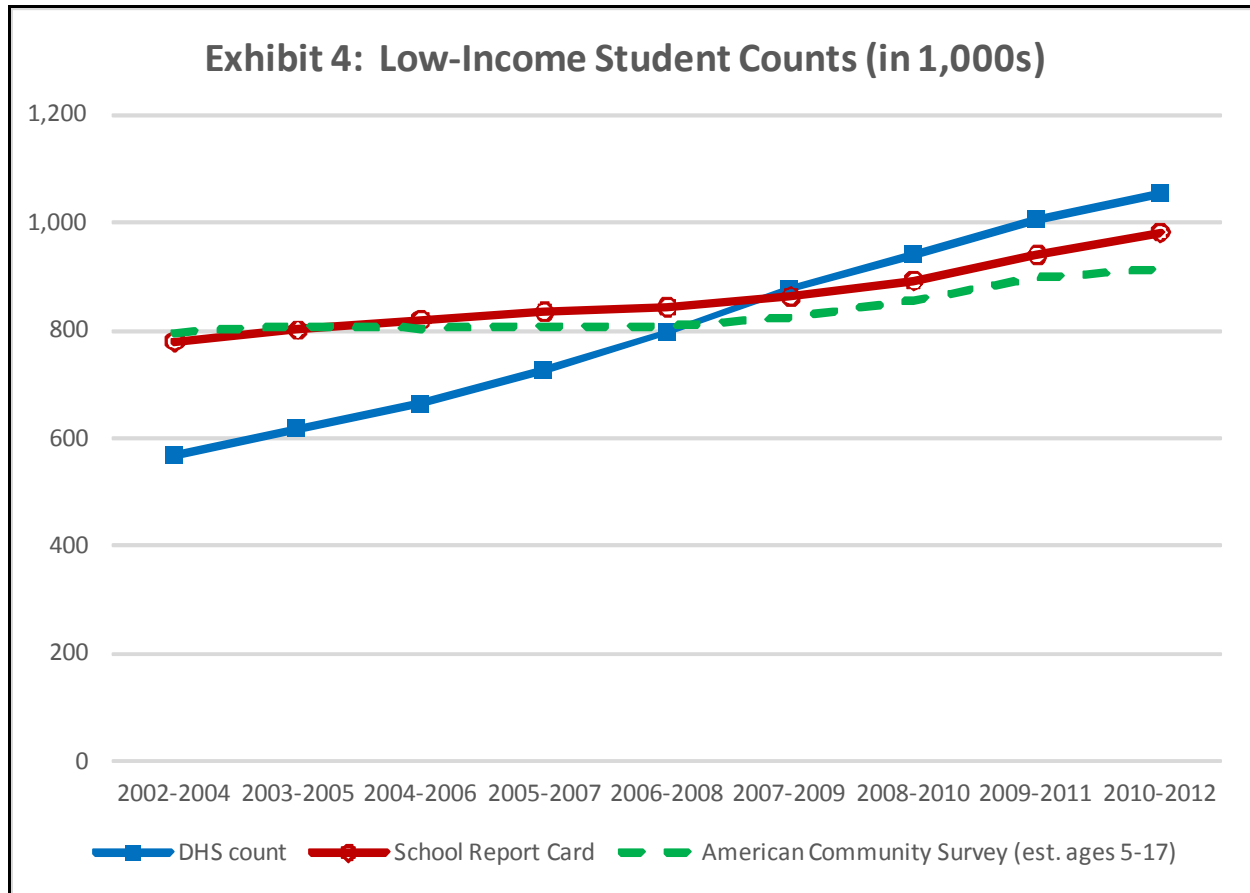
	Eligibility limit (as pct. of FPL)	<u>Est. number of children</u>	
		All ages	Ages 5-17
<u>Supplemental GSA (DHS count)</u>			
Medicaid/CHIP	200%	1,600,000	1,000,000
Supplemental Nutrition Assistance Program (SNAP)	130%	925,000	620,000
Temporary Assistance for Needy Families (TANF)	26% *	40,000	25,000
 <u>School Report Card</u>			
Free/reduced lunch	185%	-----	790,000
Supplemental Nutrition Assistance Program (SNAP)	130%	925,000	620,000
Temporary Assistance for Needy Families (TANF)	26% *	40,000	25,000
Foster care	-----	15,000	10,000
Homeless	-----	-----	45,000

FPL = federal poverty level

\* Effective eligibility limit for single parent with two children.

<sup>2</sup> Prior to FY 2004, the state had used data from the most recent U.S. Census to estimate a school district's low-income student population. But since the Census was conducted only every 10 years, the numbers quickly became outdated.

In 2002-2004, the statewide DHS count was 27 percent below the School Report Card low-income count. Since then, however, the DHS count has been increasing at a much faster rate. In 2010-2012, the DHS count was 7 percent *higher* than the School Report Card count. In terms of growth patterns, the School Report Card count has been much closer to the U.S. Census Bureau estimates of low-income children in Illinois (see Exhibit 4).



### Low-Income Concentration

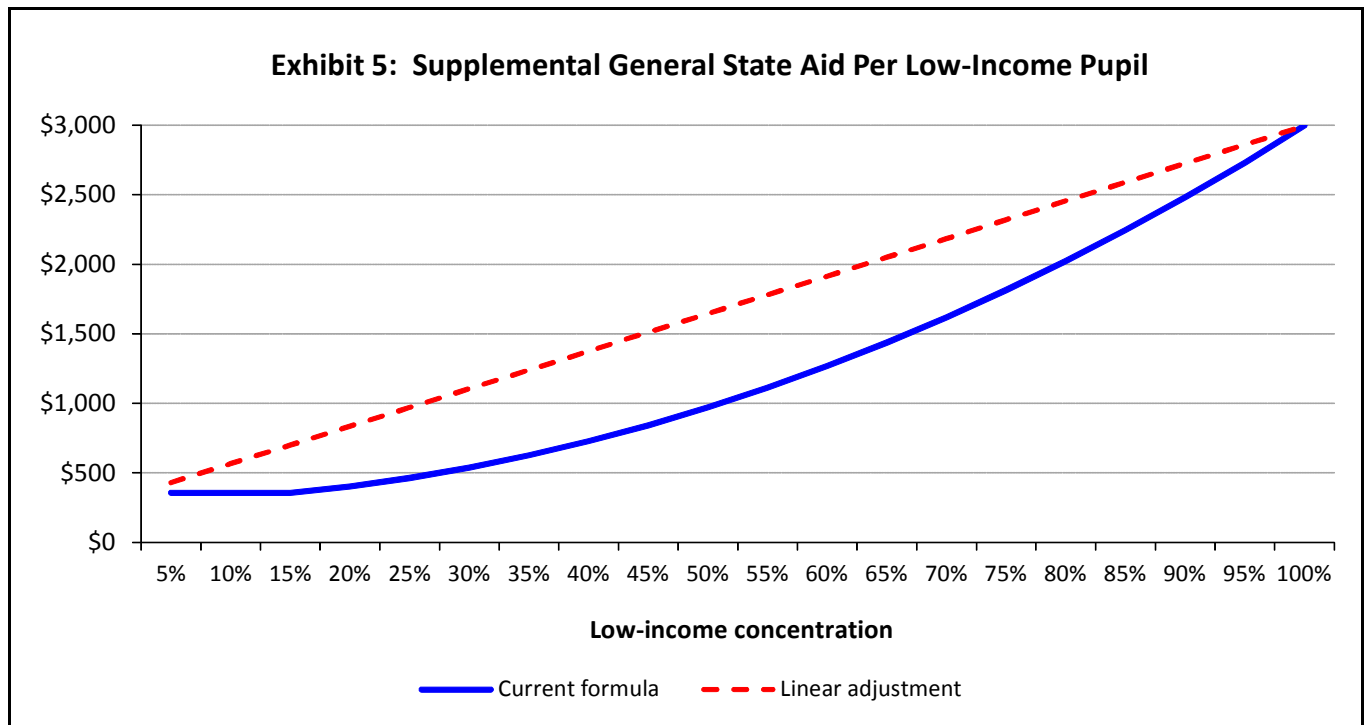
School districts with low-income concentrations below 15 percent receive flat grants of \$355 per pupil. For all other districts, per-pupil grants vary according to the school district concentration of low-income students.

$$\text{Per pupil amount} = \$294.45 + (\$2,700 \times \text{DCR}^2)$$

$$\text{DCR (district concentration rate)} = \frac{\text{DHS count (3-year average)}}{\text{Average daily attendance}}$$

The formula incorporates a curvilinear (i.e., exponential) relationship between low-income concentration level and the per-pupil grant. The variable component of the “base” low-income grant (\$2,700) is multiplied by the square of the district concentration rate (DCR). The Supplemental

GSA formula was intended to target resources to school districts with the heaviest concentrations of low-income students, but it has the effect of shifting resources away from school districts that are closest to 50 percent low-income (see Exhibit 5).



Another flaw in the current formula is that the DCR calculation uses a three-year average DHS count as the numerator and average daily attendance (ADA) as the denominator. Using ADA rather than total enrollment has the effect of inflating the DCR. For some districts, the computed DCR is more than 100 percent, although their per-pupil grants cannot exceed the maximum. Moreover, for regular GSA, school districts have an incentive to improve their attendance rates, but for Supplemental GSA, a higher ADA results in a lower DCR and a smaller per-pupil low-income grant.

### Growth and Distribution of Supplemental GSA

Even though the low-income grant formula has not changed since FY 2004, the aggregate amount of Supplemental GSA has grown substantially. Low-income grants increased from 12 percent of total GSA in FY 2004 to 37 percent of GSA in FY 2013 (see Exhibit 6). This trend is an unanticipated consequence of adopting a low-income count tied to Medicaid and CHIP enrollment, as well as using the curvilinear adjustment for low-income concentration, which drives up per-pupil grants.

Another notable trend involves the geographic distribution of Supplemental GSA. The share for the Chicago Public Schools declined from 56 percent in FY 2004 to 45 percent in FY 2013. Over the same period of time, the share going to school districts suburban Cook County and the collar counties increased from about 10 percent to more than 30 percent. Districts in the remainder of the state received 33 percent of Supplemental GSA in FY 2004 but only 24 percent in FY 2013 (see Exhibit 7).

**Exhibit 6: Growth of Supplemental GSA**

Fiscal year	Total GSA (\$ mill.)	Supp. GSA (\$ mill.)		As pct. of total GSA
2004	3,476.3	410.8	*	11.8
2005	3,668.0	455.7	*	12.4
2006	3,838.1	532.6		13.9
2007	4,106.0	675.4		16.4
2008	4,394.0	785.4		17.9
2009	4,607.7	941.4		20.4
2010	4,616.0	1,100.4	*	23.8
2011	4,600.3	1,348.6		29.3
2012	4,448.1	1,489.6	*	33.5
2013	4,286.8	1,581.6	*	36.9

\* Prorated amount

**Exhibit 7: Geographic Distribution of Supplemental GSA**

	FY 2004 (\$ mill.)	Pct. distr.	FY 2013 (\$ mill.)	Pct. distr.
Chicago	235.4	56.3%	796.1	44.9%
Suburban Cook	26.3	6.3%	315.5	17.8%
Collar counties	17.5	4.2%	243.9	13.7%
Rest of state	139.2	33.3%	418.2	23.6%
Statewide	418.4	100.0%	1,773.7	100.0%

School districts with substantial concentrations of low-income students are located in every region of the state. In FY 2013, 34 school districts received larger low-income grants per pupil than Chicago. These districts include Aurora East, Bellwood, Cahokia, Chicago Heights, Cicero, Decatur, East St. Louis, Kankakee, and Waukegan (see Exhibit 8).

**Exhibit 8: Selected School Districts with Low-Income Concentration of 40% or Above, FY 2013**

		Low- income	Supp. GSA per pupil	Pro- rated
<b>North</b>				
Cook	Bellwood SD 88	92%	2,586	2,307
Cook	Chicago Heights SD 170	100%	2,994	2,671
Cook	Cicero SD 99	100%	2,994	2,671
Cook	City of Chicago SD 299	91%	2,513	2,242
Cook	Maywood-Melrose Park-Broadview SD 89	97%	2,838	2,531
Cook	Wheeling CCSD 21	61%	1,313	1,171
DeKalb	DeKalb CUSD 428	50%	977	871
DuPage	Addison SD 4	79%	1,978	1,764
DuPage	West Chicago SD 33	79%	1,991	1,776
Kane	Aurora East USD 131	100%	2,994	2,671
Kane	Aurora West USD 129	58%	1,199	1,070
Kane	School District U-46 (Elgin)	44%	1,184	1,056
Kankakee	Kankakee SD 111	93%	2,607	2,325
Lake	Round Lake CUSD 116	80%	2,025	1,806
Lake	Waukegan CUSD 60	93%	2,623	2,340
Lake	Zion ESD 6	81%	2,062	1,839
LaSalle	Ottawa ESD 141	52%	1,039	927
McHenry	Harvard CUSD 50	68%	1,529	1,364
Rock Island	Rock Island SD 41	67%	1,351	1,205
Stephenson	Freeport SD 145	68%	1,543	1,376
Will	Joliet SD 86	84%	2,222	1,982
Winnebago	Rockford SD 205	86%	2,291	2,044
<b>Central</b>				
Champaign	Champaign CUSD 4	55%	1,118	997
Champaign	Urbana SD 116	70%	1,602	1,429
Livingston	Prairie Central CUSD 8	40%	728	649
Macon	Decatur SD 61	93%	2,606	2,325
McLean	Bloomington SD 87	69%	1,590	1,418
Peoria	Peoria SD 150	86%	2,290	2,043
Sangamon	Springfield SD 186	78%	1,917	1,710
Vermilion	Danville CCSD 118	84%	2,193	1,956
<b>South</b>				
Franklin	Frankfort CUSD 168	69%	1,595	1,423
Jackson	Murphysboro CUSD 186	69%	1,583	1,412
Jefferson	Mount Vernon SD 80	81%	2,046	1,825
Madison	Alton CUSD 11	67%	1,519	1,355
Madison	Granite City CUSD 9	66%	1,467	1,309
Saint Clair	Cahokia CUSD 187	100%	2,994	2,671
Saint Clair	East St. Louis SD 189	100%	2,994	2,671
Williamson	Marion CUSD 2	55%	1,098	979
Statewide average		53%	1,762	1,572



## Adequacy of Supplemental GSA

The growth of Supplemental GSA does not necessarily mean that Illinois is spending “too much” on low-income students. Both components of GSA are significantly underfunded. The foundation level has been the same — \$6,119 — for five consecutive years. It is well below the level recommended by the Education Funding Advisory Board (EFAB) — \$8,672. In FY 2004, the maximum per-pupil grant for Supplemental GSA was 62 percent of the statutory foundation level (\$4,810), which was then much closer to the EFAB recommendation (\$5,665). The maximum low-income grant is now only 49 percent of the foundation level.

Supplemental GSA grants per pupil as a percentage of the foundation level are essentially implicit weights for low-income students. These low-income weights vary widely with low-income concentration. For school districts with 100 percent low-income enrollment, the implicit weight is .49. For districts at 80 percent low-income, the implicit weight is .33. For districts at 50 percent low-income (close to the statewide average), the implicit weight is only .16 (see Exhibit 9).

**Exhibit 9: Supplemental GSA Per Low-Income Pupil as Percentage of Foundation Level, FY 2013**

	County	Low-income	Supp. GSA per pupil	As pct. of found. level	Pro-rated	As pct. of EFAB level	Pro-rated
Cicero SD 99	Cook	100%	\$ 2,994	49%	44%	35%	31%
Berwyn North SD 98	Cook	90%	2,468	40%	36%	28%	25%
Round Lake CUSD 116	Lake	80%	2,025	33%	30%	23%	21%
Midlothian SD 143	Cook	70%	1,612	26%	24%	19%	17%
Harrisburg CUSD 3	Saline	60%	1,280	21%	19%	15%	13%
DeKalb CUSD 428	DeKalb	50%	977	16%	14%	11%	10%
CUSD 300 (Carpentersville)	Kane	40%	718	12%	10%	8%	7%
Lisle CUSD 202	DuPage	30%	530	9%	8%	6%	5%

Statutory foundation level = \$6,119

EFAB recommended foundation level = \$8,672

Massachusetts and New Jersey are among the states that have more effective targeting of resources for low-income students. In both states, the equivalent of the “foundation level” is also substantially higher than in Illinois. In Massachusetts, the state sets a “foundation budget” per pupil for each school district and provides additional funding for low-income students. The dollar amounts translate into implicit low-income weights of .47 for elementary schools, .40 for middle schools, and .32 for high schools. In New Jersey, low-income weights also vary with low-income concentration, but to a much smaller extent than in Illinois. For districts with low-income enrollment below 20 percent, the per pupil weight is .47. This weight gradually increases to a maximum of .57 for districts with low-income enrollment at or above 60 percent.

## Proration of General State Aid

Prior to FY 2011, if the appropriation for General State Aid was inadequate, regular GSA was fully funded, and only Supplemental GSA was prorated. The statute was changed so that proration is now applied to both components of GSA. For FY 2013 and FY 2014, total GSA has been prorated at 89 percent, which means that each school district's GSA entitlement claim under current allocation formulas has been reduced by 11 percent.

<b>Exhibit 10: Selected School Districts with GSA Reduction of More than \$500 Per Pupil, FY 2013</b>				
		Gross claim per pupil	Prorated	Diff.
<b>North</b>				
Cook	Bellwood SD 88	4,736	4,224	-511
Cook	Berwyn North SD 98	6,744	6,016	-728
Cook	Chicago Heights SD 170	6,899	6,154	-745
Cook	Cicero SD 99	7,802	6,959	-843
Cook	Harvey SD 152	8,332	7,432	-900
Cook	Maywood-Melrose Park-Broadview SD 89	6,635	5,919	-717
Cook	Prairie-Hills ESD 144	6,094	5,436	-658
Henry	Kewanee CUSD 229	5,982	5,336	-646
Kane	Aurora East USD 131	7,304	6,515	-789
Kankakee	Kankakee SD 111	5,882	5,247	-635
Lake	North Chicago SD 187	5,932	5,292	-641
Lake	Round Lake CUSD 116	5,582	4,979	-603
Lake	Waukegan CUSD 60	5,931	5,291	-641
Lake	Zion ESD 6	5,021	4,479	-542
LaSalle	Streator ESD 44	4,892	4,363	-528
Will	Joliet SD 86	5,612	5,006	-606
<b>Central</b>				
Cass	Beardstown CUSD 15	5,445	4,857	-588
Champaign	Rantoul City SD 137	6,159	5,494	-665
Christian	Pana CUSD 8	4,748	4,235	-513
Macon	Decatur SD 61	5,151	4,594	-556
Vermilion	Danville CCSD 118	5,353	4,775	-578
<b>South</b>				
Clay	Flora CUSD 35	4,834	4,312	-522
Franklin	Frankfort CUSD 168	5,775	5,152	-624
Jackson	Murphysboro CUSD 186	4,674	4,169	-505
Marion	Centralia SD 135	5,304	4,731	-573
Perry	DuQuoin CUSD 300	4,994	4,455	-539
Saint Clair	East St. Louis SD 189	8,762	7,816	-946
Saint Clair	Cahokia CUSD 187	8,110	7,234	-876
Saline	Harrisburg CUSD 3	5,072	4,524	-548
Williamson	Herrin CUSD 4	5,192	4,631	-561
Cook	City of Chicago SD 299	3,461	3,087	-374
Statewide (862 school districts)		2,521	2,249	-272

The school districts hit hardest by proration are those that rely most on state funding — i.e., districts with low levels of property wealth per pupil and large concentrations of low-income students. In FY 2013, the average reduction in GSA funding for school districts statewide was \$272 per pupil. For the Chicago Public Schools, the shortfall was \$374 per pupil. For 125 school districts, the loss was much larger — more than \$500 per pupil. These districts are located throughout the state but are most concentrated in south suburban Cook County and in southern Illinois. For some districts — for example, Aurora East, Cahokia, Chicago Heights, Cicero, Harvey, and East St. Louis — the funding loss was more than \$700 per pupil (see Exhibit 10).

## **Policy Options**

The overall structure of Supplemental GSA should be changed. Each of the major components of the current formula has significant flaws. Unfortunately, viable solutions for Supplemental GSA are less obvious than the problems with the current system. Any comprehensive set of changes would have widely disparate effects across school districts. Given the state's current fiscal situation, providing hold-harmless funding would be very difficult.

### *Low-Income Student Count*

Adopting the DHS low-income count has had unanticipated consequences. Since FY 2004, the DHS count has increased dramatically, mainly because of the steady growth of children's enrollment in Medicaid and CHIP — something that could not have been foreseen ten years ago. Policymakers should consider replacing the DHS count with the School Report Card low-income count, which is based primarily on NSLP participation and is a more reliable proxy for the targeted low-income population (at least in the aggregate).

The NSLP count has its own limitations, but it is used in most other states that provide additional funding for low-income students. Some states distinguish between eligibility for free lunch (130% of FPL) and eligibility for reduced-price lunch (185% of FPL). In various states, doubts have been raised about the accuracy of the NSLP count. A report prepared for the Congressional Budget Office analyzed nationwide data on NSLP participation. The study found that an estimated 2.6 million children were participating in the program but not actually eligible. However, a much larger number — an estimated 5.4 million children — were eligible but not participating.<sup>3</sup>

### *Low-Income Concentration*

Among the states that take account of low-income student concentration, none uses the approach adopted in Illinois. The curvilinear adjustment for concentration of low-income students has had the unintended effect of shifting resources away from school districts that are closest to 50 percent low-income. The current adjustment should be replaced with some type of linear adjustment or another simpler alternative. Moreover, computation of the district concentration rate should use student enrollment rather than average daily attendance as the denominator.

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<sup>3</sup> Molly W. Dahl and John Karl Scholz, "The National School Lunch Program and School Breakfast Program: Evidence on Participation and Noncompliance" (Congressional Budget Office, March 2011).

### *Per-Pupil Grants*

The maximum grant per low-income pupil has not been changed since the current formula was instituted in FY 2004. The maximum grant could be set as a percentage of the foundation level, an approach proposed by EFAB in 2001. The state should also consider eliminating the flat grant of \$355 per pupil for school districts with the smallest concentrations of low-income students.

### **Conclusion**

Both major components of General State Aid need to be reformed. The primary objective should be more effective targeting of resources to school districts with the greatest need — those with low levels of property tax wealth and large concentrations of low-income students.

Education funding reform for Illinois should be based on detailed analysis of the impact of proposed changes. Funding formulas that seem reasonable in the abstract can produce unintended consequences for both the magnitude and distribution of funding. We urge policymakers to take the time to “get it right.”

For the coming fiscal year, policymakers should consider some short-term adjustments to stabilize Supplemental GSA. The state should also discontinue the practice of prorating General State Aid when annual appropriations are insufficient. A more equitable response to inadequate funding would be to reduce each school district's GSA grant by the same dollar amount.

#### **ABOUT THE FISCAL POLICY CENTER**

The Fiscal Policy Center at Voices for Illinois Children provides timely, credible, and accessible information and analysis on fiscal issues that affect children, families, and communities in Illinois. The FPC is a member of the State Fiscal Analysis Initiative (SFAI), a network of non-profit organizations in more than 40 states. SFAI is coordinated by the Center on Budget and Policy Priorities, a Washington, D.C.-based research organization and strategic policy institute that works on a range of federal and state issues.

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For additional information, contact Larry Joseph, Director of the Fiscal Policy Center, at [ljoseph@voices4kids.org](mailto:ljoseph@voices4kids.org) or 312-516-5556.



Cinda Klickna, President  
Kathi Griffin, Vice President  
Al Llorens, Secretary-Treasurer  
Audrey Soglin, Executive Director

100 East Edwards Street  
Springfield, IL 62704-1999  
(217) 544-0706 Fax 217.544.7383

## Testimony for the Education Funding Advisory Committee December 2, 2013

Five specific facets of school funding, adequacy, simplicity, transparency, equity, and outcomes have framed the deliberations of the Committee. I'll speak to each of those concerns but I want to begin, and end, with the same message for you today.

Absent the will to create a public school system for Illinois in which each and every child has equal access to a high quality system of public education, and this will require increased spending not simply a re-mix of the money we allocate now to our schools, a new state funding formula makes little difference. Of course, a different formula will result in a different distribution of dollars but, in the end, without working toward a high quality system of public schools for all of the children of Illinois a change in the existing formula will do little more than create new set of winner and losers with some children making marginal gains in the their schools and others realizing marginal loses.

The constitution of Illinois makes education a state function and access to a high quality system of public education the right of every child. As the state has systematically defunded education during the recent past this notion has become, for many, simply a cruel joke and an unfulfilled promise. Our current foundation level, the number we use to define a high quality education, is based not on a metric that we believe allows each school in our state to give children access to some level of education which we've defined as being of high quality but, instead represents simply the amount of money, on a per pupil bases, that we can distribute based on the annual appropriation for general state aid.

### TRANSPARENCY

Illinois has vast disparities in per pupil wealth between the property rich and the property poor school districts and the goal of a foundation formula is to overcome those differences so that a child's education is not dependent on their zip code. Absent sufficient dollars this is a goal that we simply cannot accomplish.

The central tenet of our formula is that we bring up to some level the per pupil resources available to each child in our public school system. This is a formula theory shared by almost all of the other states. We measure the amount of money per child a district can generate locally, subtract that from the foundation level, and provide a grant to the district for the remainder. Thus, those districts that are most

in need (as defined by local property wealth) receive the largest general state aid grants and therefore find that they are operating with a large part of their revenue coming from state sources.

This is not a hard concept to understand. Now, the “devil is in the details” and the various adjustments that have been made to the formula over time do involve some arithmetic. We ought to be careful as we think about revising the formula that mathematical simplicity not become the goal that outweighs effectiveness.

In fact, it may be that wealth disparities have become so great that all state grants ought to be wealth equalized. Currently this is the case only for general state aid. It may be time for us to consider using a similar approach for all state grants.

## SIMPLICITY

Illinois uses two different theories of equity in funding schools for our children. The first in that each child deserves access to the same high quality level of education and the general state aid formula ensures that, with a mix of local and state dollars, this is true. The second theory recognizes the fact that some children have different needs and we ought to fund them differently if they are to succeed in school. Restricted state aid like transportation and special education grants provide different levels of service for these children with different needs.

While some have charged that our current system of funding is overly complex we ought not to move toward simplicity at the expense of effectiveness.

A single formula with a weighted student approach that embodies both concepts of equity may be a simpler approach than what Illinois uses now. However, formula changes should only be made if they can be clearly tied to providing better outcomes for our students. Change for the sake of change is likely simply to produce a set of winners and losers. We see little benefit from that sort of approach.

## ADEQUACY

The Educational Funding Advisory Board is tasked with setting a foundation level each year for the general state aid formula. Fiscal year 2002 was the last year that the General Assembly appropriated sufficient funds to allow the Illinois State Board of Education to use a foundation level equal to the EFAB recommendation. For fiscal 2014 the recommended foundation level from EFAB was \$8,622 while the foundation level was set at \$6,119. In fact, this has been the funding level for the past five years.

One might assume from this data that children in our schools have enjoyed funding through the general state aid system that is at least level for the recent past. Would that this were so! Beginning in fiscal 2012 the general state aid grants to schools have been prorated each year because the appropriation has been insufficient to fund the foundation level used. The change in the EFAB recommendation from the

roughly \$4,500 in FY02 to roughly \$8,600 in FY14 is due to nothing but inflation. This is not an adjustment that ensures our children enjoy access to a broader and deeper curriculum; it is a number that would allow us only to remain at a constant level. We have failed to do that and, as a result, have failed our children.

In our opinion schools are at a critical point in their inevitable evolution. We have agreed to new and much more progressive teacher assessment and evaluation practices and we have done the same with changing how we measure student progress. These changes will require new technologies in our classrooms and professional development for our teachers so that all are able to successfully help students grow and develop the skills they need to be college and career ready.

## EQUITY

One of the challenges that property poor districts, those districts most in need of state aid, have faced in the recent past has been proration of general state aid. District grants have been reduced by an equal percent for all districts. Imagine the impact on students. Suppose two districts have an equal number of students and that both spend \$20 million per year. The first receives \$1 million in GSA and the second receives \$10 million. In FY14 grants were prorated at 89% of the total. Thus, both districts would lose 11% of their GSA dollars, \$110,000 for one and \$1,100,000 for the other. The impact of this proration is simply very different for different districts.

In fact, we find ourselves in the position of embracing a state aid formula designed to level up, or to provide the most resources for our districts and children most in need, and then taking the largest number of dollars from these children. On its face that does not seem an ideal solution. Those districts receiving the largest grants have to give up the greatest amount of money each year.

This is simply not acceptable and there are far better ways to prorate. One might simply use a foundation level based on what the appropriation will allow rather than continuing to use a foundation level that must be prorated. While the benefits of this approach are rather limited it is somewhat better than what we are using now. A much better approach would be to base the loss of general state aid on some sort of progressive formula in so that the districts least able to generate local revenue give up the least state aid dollars. All would, sadly, continue to lose but those most in need would lose the least.

## OUTCOMES

Ironically, we've spent much more time on thinking about outcomes in Illinois than we have thinking about what we'll need to achieve the desired outcomes. We've all agreed, I believe, that we want children to leave our education system, at whatever point, ready to transition either to the next level of education or to work. A great deal of work has been done in Illinois under the banner of college and career readiness and education is beginning to partner with business in new and

innovative ways. We're moving toward a common core of subjects and skills that, we believe, will allow college and career readiness to become a reality for our students. We've agreed to that we need new ways to measure what it is students do. We're part of the PARCC consortium and, in many ways, lead the nation in putting into place an infrastructure of assessment that will allow our students to succeed. We're putting in place new and innovative assessment tools for our teacher so that they can better monitor and inform student instruction. We've begun to assess teaching in our classrooms based not on the old adage "I'll know good teaching when I see it" but on a set of teacher behaviors that have been proven to lead to improved student performance. We're evaluating the environment, the culture of our schools looking for indicators (which are proven in other states to predict student performance) that the adults in the education program, parents, teachers, and administrators, are doing the "right" things. We know, much more than we ever have, about what we need to do to mentor our new teachers and what our veteran teachers need in terms of professional development.

We know and have carefully defining the outcomes we need for our children to succeed.

#### IN SUMMARY

What we don't know is how we can allocate the resources we need to realize these successes.

The PARCC assessments and the change to the common core are very much dependent on an online system of testing. Estimates indicate that roughly half of the school buildings in Illinois will allow our students and teachers access to a sufficiently robust Internet connection to allow PARCC to work.

After our first year with the new teacher assessment and evaluation system we find our school principals buried in work and having little time left to act as the educational leaders we expect them to be. We need more evaluators so that the work around teacher assessment can become professional development allowing us to build and refine our faculty at all levels. Our teachers need professional development to succeed in this new environment. Yet, we wonder where schools will find the resources to meet these needs.

The research regarding investment in education is clear, every dollar invested in education returns multiple dollars to the state economy. To underinvest in education, to defund education as a state is bad for our kids and it's bad for us. I believe every one of us in this room is embarrassed by the fact that we fail to fund our public schools at the level recommended by EFAB. We are also painfully aware that to do so, at least in fiscal 2013, would have required an additional \$4.7 billion. While that's a huge investment the existent research would suggest that it will be returned several times over if the money is put into education. How can that be bad for our kids or for us?



We urge you to move very carefully in thinking about a new school funding formula. We need to do much more than simply create a new set of winners and losers as we distribute state dollars. The issue with which we need to engage is putting sufficient resources into a foundation formula so that the children in our poorest school districts can have access to an education that is substantially equal to that enjoyed by the children in our wealthiest districts.

Our challenge is not, we believe, in finding an ideal funding formula. Our challenge is in finding the will to fund schools at a level sufficient to allow all children equal access to a high quality education.



**Illinois Federation of  
Teachers**

An affiliate of the AFT, AFL-CIO

500 Oakmont Lane  
Westmont, Illinois 60559  
T: 630-468-4080  
F: 630-468-4089

**Testimony to the Education Funding Advisory Committee**

**December 2<sup>nd</sup>, 2013**

Good morning Senator Manar, Senator Luechtefeld, and Members of the Committee,

On behalf of the 103,000 members of the Illinois Federation of Teachers, I come before you today to speak to what we feel are the important aspects of and what must be included as part of the package of a new school funding formula in order to create a school funding system that gives every child equal access to a high quality education. Specifically we would like to see:

1. Baseline funding
2. Equity—no child should lack for that baseline based solely on his/her address
3. Tax reform- a modernization to ensure fairness and lasting certainty in the contemporary economy
4. Revenue—needs to be adequate and fair
5. Tax loophole closures and a reverse of the shift of burden to homeowners from corporations that has occurred over past 20 years
6. Time—we must be diligent in taking the appropriate time to study this and get it right prior to implementation. Band-Aid approaches and shifting dollars from one district to another should be off the table at this point; what moves forward should be a comprehensive plan that all districts can anticipate and plan for.

We realize the Committee's task is no easy feat, but we stand ready to roll up our sleeves and work together to move toward an education funding system that provides all children access to a high quality education.

# CPS Budget Overview and Principles for Education Funding Reform

December 2, 2013

# CPS Overview

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- 3<sup>rd</sup> largest district in the country: 672 schools, 400,545 students, 39,000 teachers and staff
- Has made significant academic strides
- Serves a disproportionately low-income, English Language Learner student population
- Nearly \$1B structural deficit on \$5.6B operating budget; pension costs increased \$400M in FY14; only use of one-time funds patched revenue shortfalls
- Cut nearly \$700 million in operations expenses away from the classroom, raised property taxes; still, schools were impacted
- Current financial picture not sustainable: pension costs continue to increase and revenue options are insufficient
- New funding formula must reflect key principles

# Chicago Public Schools fast facts

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- Serve 400,545 children in P-12 this year in 672 schools
  - 233,900 children in district-run elementary schools
  - 82,300 children in district-run high school
  - 57,600 children in charter schools
  - 26,745 children in other categories (pre-K, alternative, etc)
- Nearly 39,000 staff
  - 52% teachers
  - 28% other school personnel
  - 13% clinical, engineering and other school support staff
  - 3% principals and assistant principals
  - 3% central office

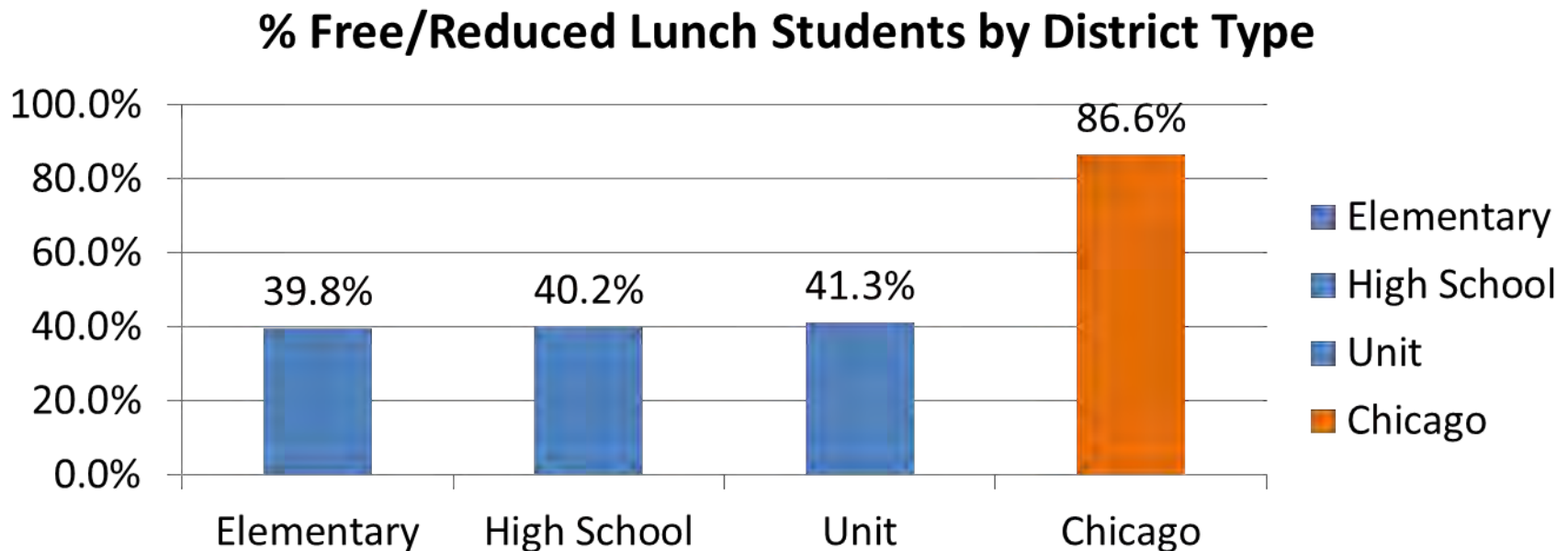
# CPS has made academic progress in 2012-2013 and put in place the right programs to help kids learn

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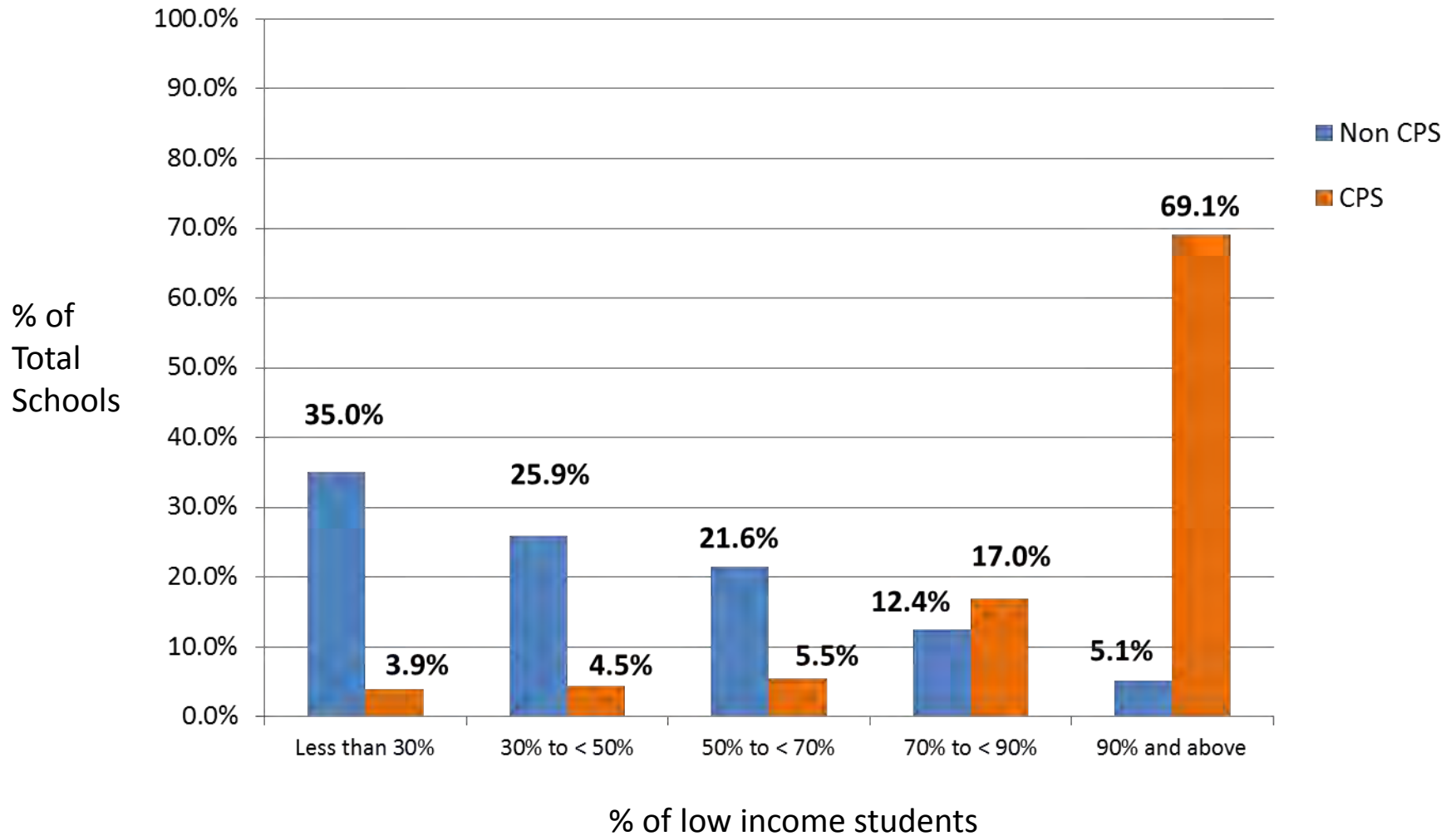
- ✓ Increased graduation rate to record 65.4%, a one-year increase of 4.2% pts
- ✓ Increased Freshman On-Track rate to 74.8%, an increase of 2.2% pts
- ✓ Improved NWEA and ISAT Meets/Exceeds averages
- ✓ Implemented single calendar
- ✓ Implemented Full School Day
- ✓ Implemented Full Day Kindergarten
- ✓ Increased Pre-Kindergarten seats
- ✓ Created 11 new elementary and 5 new high school STEM schools, and 6 new elementary and 11 new high school IB schools
- ✓ Increased number of Options School seats by 2,575
- ✓ A record \$400 million in college scholarships awarded to graduating seniors

# CPS has double the percentage of low income students compared to other school districts

***Auglenblick and Palaich found that CPS has a very high proportion of at-risk students***



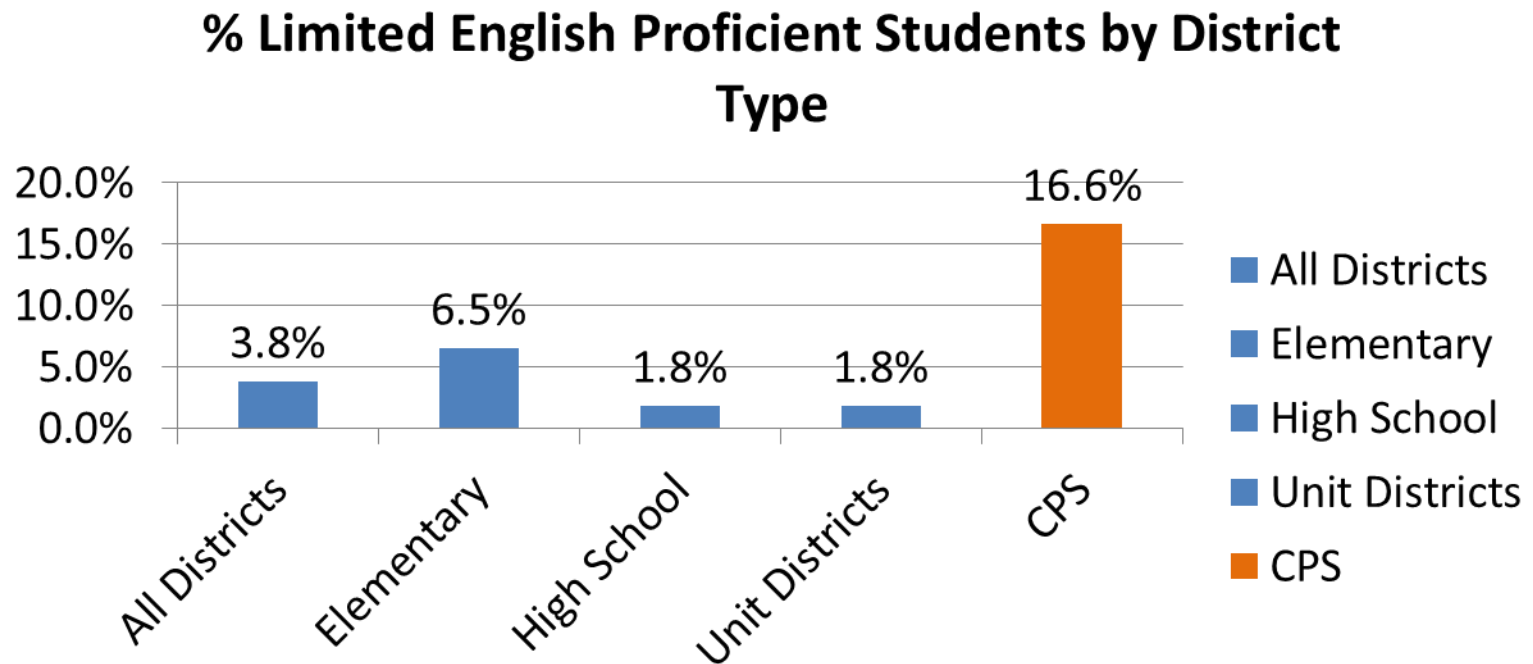
# CPS has a disproportionate share of schools with over 90% poverty



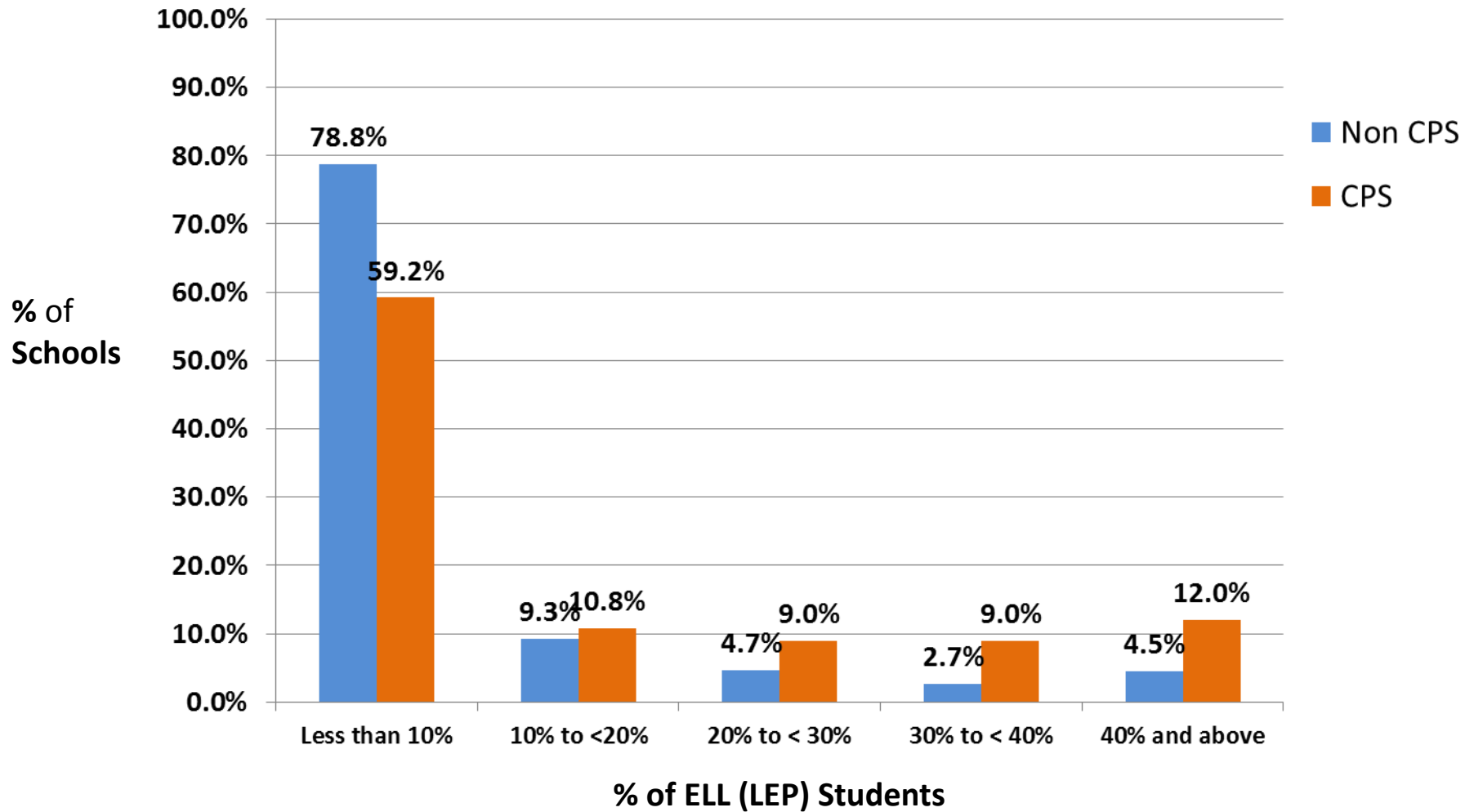


# CPS serves 4 times the proportion of English Language Learners than the average school district

*Augenblick and Palaich found CPS has significantly greater need when it comes to Limited English Proficient students*



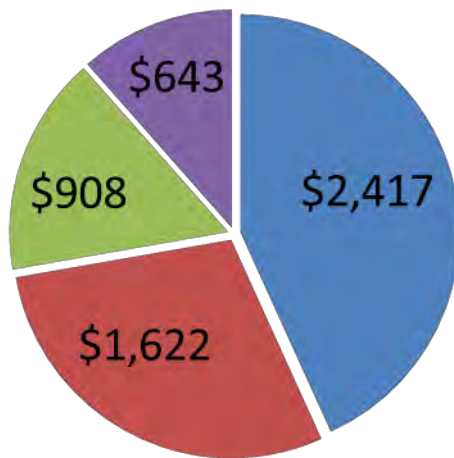
# CPS schools have higher concentrations of ELL students



# CPS FY 14 Operating Budget (\$5.6 Billion total)

## Revenue

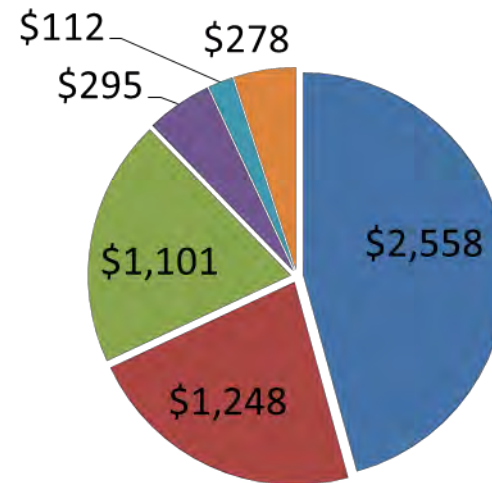
*\$ millions*



■ Local ■ State ■ Federal ■ Fund Balance

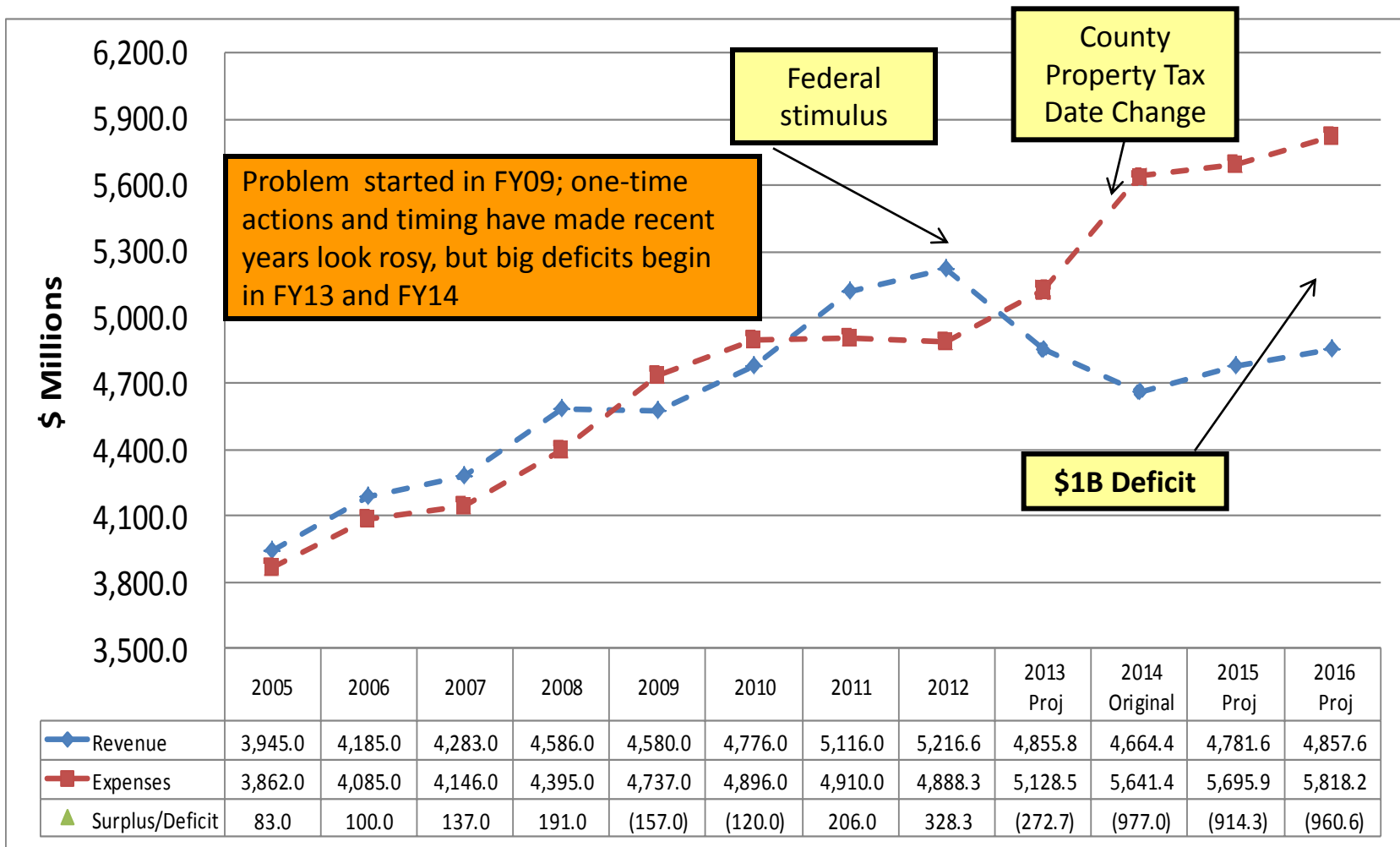
## Expenditures

*\$ millions*



■ Salaries ■ Pension and Other Benefits  
■ Tuition, Clinical, Services ■ Commodities and Equip  
■ Transportation ■ Grant contingencies

# \$1B Structural Shortfall: Problem started in FY 09



# State funding has declined; now below FY08 level

## General State Aid

(\$ in millions)	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13*	FY 14*
Total State allocation	4,475.2	4,616.4	4,600.3	4,600.3	4,448.1	4,286.8	4,442.2
CPS share	1,091.1	1,139.8	1,152.2	1,147.1	1,120.2	1,078.0	1,074.6
CPS chg vs. prior year	67.2	48.6	12.5	(5.1)	(26.9)	(42.2)	(3.4)

## Block Grants

(\$ in millions)	FY 08	FY 09	FY 10	FY 11	FY 12	FY13	FY 14*
Appropriated for CPS	614.3	659.1	665.2	624.9	621.2	610.2	609.5
Change vs. prior year	64.5	44.8	6.2	(40.3)	(3.7)	(11.0)	(0.5)

## TOTAL CHANGE FROM PRIOR YEAR

	FY 08	FY 09	FY10	FY11	FY 12	FY13	FY14*
Change vs. prior year	113.1	93.4	18.7	(45.4)	(30.6)	(53.2)	(3.9)

\*GSA reflects amount net of reduction for state approved charter schools. Also includes amount set aside for debt service. Block Grants includes estimate for Bilingual grant.

## CPS has taken significant action to restore structural balance but can't get there without state help

- Since FY11, we have made nearly \$700M in cuts in operations, administration, and programs to maximize funds available for the classroom
- Have cut Central Office staff by 34% since FY09
- Raised property taxes in 18 out of 19 years, 14 years to the cap (and every year since 2011)
- Despite all this, we had no other choice but to reduce school budgets in FY 14

## Anxious CPS parents, push for change

TRIBUNE // EDITORIAL

7.8.13

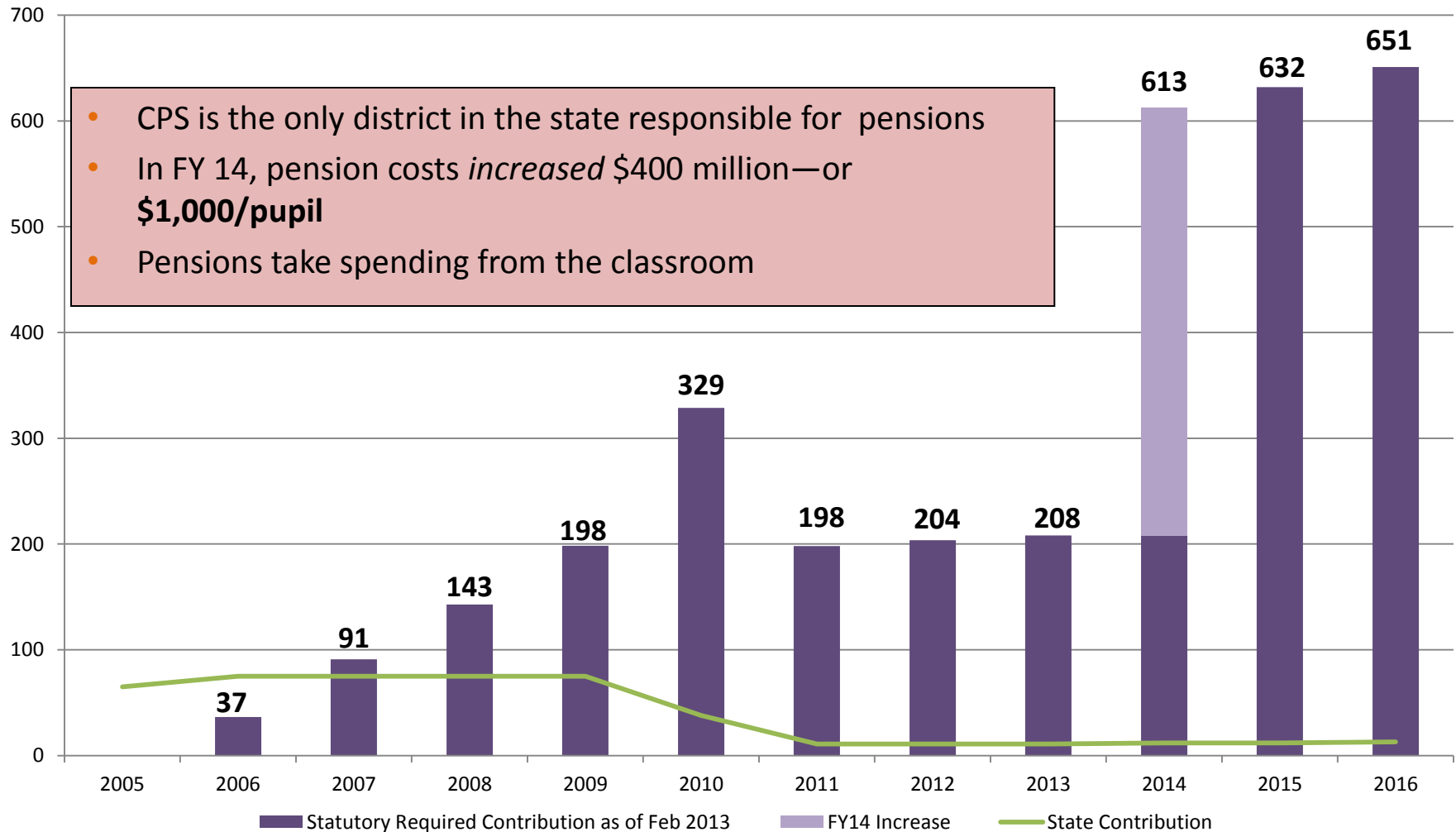
Chicago's schools have closed for the summer, but many principals aren't feeling any relief. They're grappling with huge budget cuts because the system faces a \$1 billion deficit. Parents and teachers are anxious and angry about what they'll find when schools open in the fall.

Some principals have floated plans for trims to core subjects such as English and reading, as well as art, music ... even recess. Some have tried to steer a different course: Whitney Young Magnet High School proposed to charge students a fee if they want to take a seventh-period class.

This bad financial news is trickling out now because principals received preliminary budgets a couple of weeks ago. Principals are scrambling to shape plans under a new school-based budgeting system that hands them more power to set educational priorities but, in many schools, less money to fulfill them.

Several factors drive the deficit, but the biggest one is a spike in pension payments.

# Pensions cost CPS \$1,500 per student in FY 14 and will grow

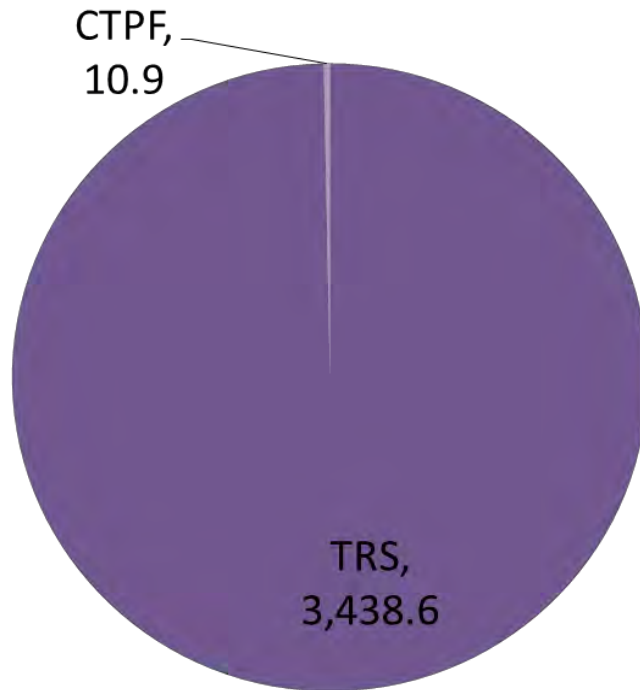




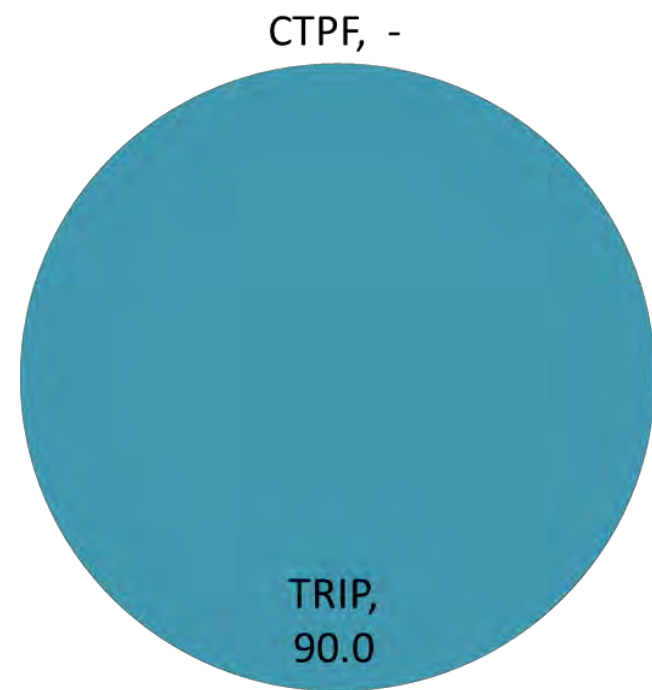
# Any conversation about education funding must include discussion of unequal pension funding

The state makes no contribution for CPS retiree health care and a tiny contribution for pensions

## State FY 14 Teachers' Pension Contribution



## State Teachers' Retiree Health Contribution



\$ in millions

# Principles for new funding formula

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- Provide sufficient funding to achieve academic outcomes
- Recognize and provide weighted funding based on different needs of students in the district, especially low-income, English Language Learners, and participation in special education programs
  - The Augenblick, Palaich, and Associates study indicated *“CPS’ need ratio, at 1.60, is dramatically higher than the average ratios for elementary, high school, or unit districts.”*
- Integrate all funding in a single formula to provide flexibility to meet individual student and school needs; simplify administration and reporting
- Ensure equity in support for pensions and retiree health
- Do not penalize districts for property wealth that cannot be captured

# Appendix: Financial Details

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# \$700M of central office, administration and operations cuts

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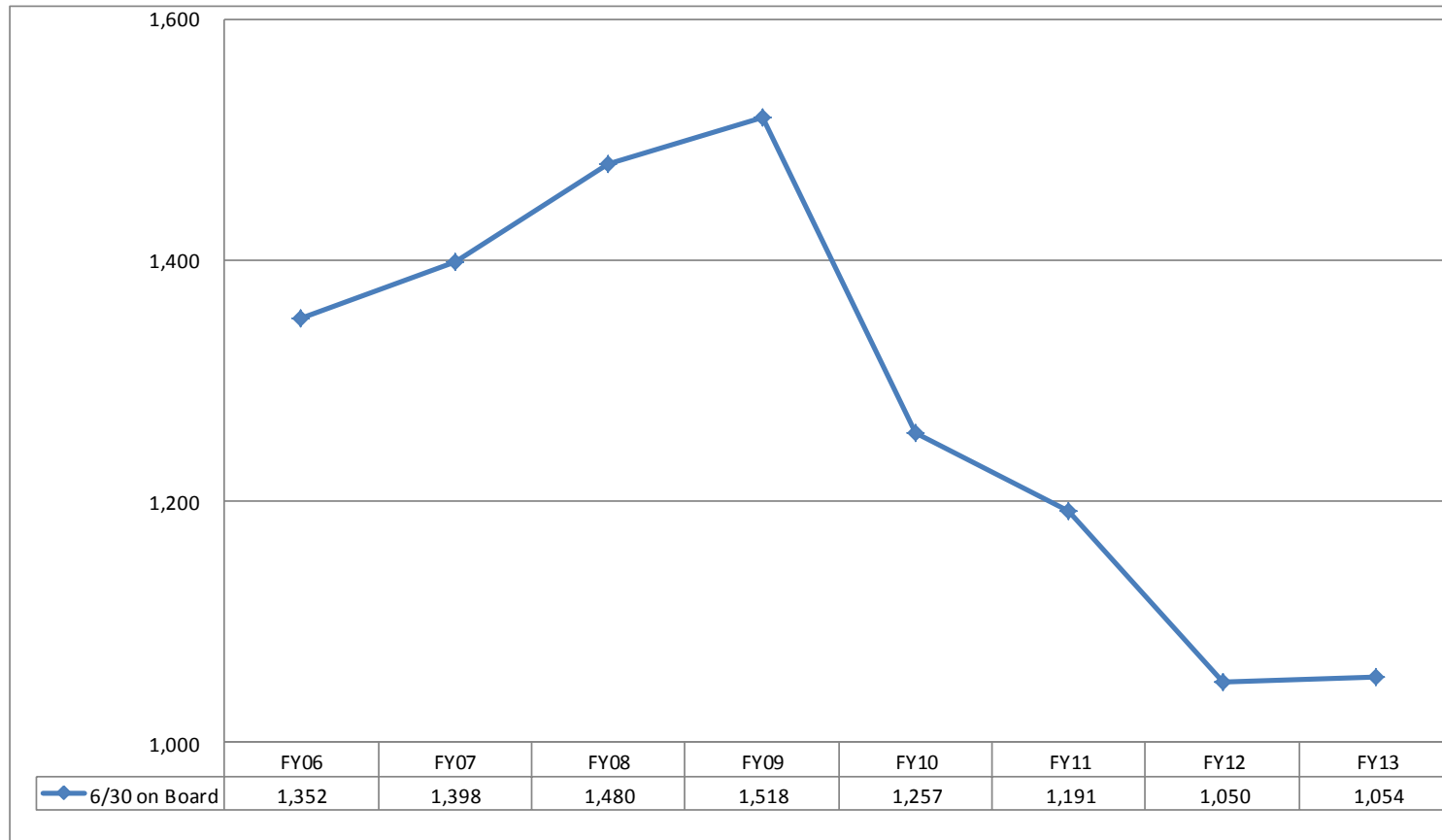
Since FY11, we have made nearly \$700M in cuts to maximize funds available for the classroom

	FY11	FY12	FY13	FY14	TOTAL
Administration	17.2	107.0	12.0	33.7	169.9
Operations	14.1	127.0	116.0	59.5	316.6
Programs	0.0	87.0	49.0	18.4	154.4
Debt Obligations*	44.0	--	--	--	44.0
<b>TOTAL</b>	<b>75.3</b>	<b>321.0</b>	<b>177.0</b>	<b>111.6</b>	<b>684.9</b>

\* Initiatives to lower annual debt service expense add to Operating Fund revenue

# Central office headcount down 34% since FY09

## On-Board Staff as of June 30



# FY14 Operating Budget summary

\$ millions	FY13 Proj	FY14 Budget	Difference	Comment
<b>Revenue</b>				
Property Tax	2,052.8	2,141.4	88.6	<i>Tax to the cap</i>
Replacement Tax	128.3	105.5	(22.8)	<i>One time growth in FY13</i>
All Other Local	134.4	169.7	35.3	
<b>Total Local</b>	<b>2,315.5</b>	<b>2,416.6</b>	<b>101.1</b>	
State	1,645.2	1,621.5	(23.7)	<i>No "catch up";</i>
Federal	891.7	908.4	16.7	<i>Carryover funds</i>
Other revenue	3.5	3.1	(0.4)	
<b>Total Revenue</b>	<b>4,855.9</b>	<b>4,949.6</b>	<b>93.7</b>	
<b>Total Expenses</b>	<b>5,128.5</b>	<b>5,592.3</b>	<b>463.8</b>	<i>Pension and contract increases</i>
<b>Net (Gap b/f Reserves)</b>	<b>(272.6)</b>	<b>(642.7)</b>	<b>(370.1)</b>	
<b>Use of Reserves</b>				
General Unrestricted	229.9	562.6	332.8	<b>Zero</b> balance at 6/30/14
SGSA	17.8	41.3	23.5	<i>Carryover at schools</i>
Tort	25.0	38.8	13.8	<i>Balance at 6/30/14: \$29M</i>
Debt Service	--	53.8	53.8	<i>Adds to operating revenue</i>
<b>Reserves Appropriated</b>	<b>272.7</b>	<b>696.5</b>	<b>423.9</b>	

# Outlook for FY15 and FY16 continues to be grim

	<u>FY 14 Budget</u>	<u>FY 15 Projection</u>	<u>FY 15 Change</u>	<u>FY 16 Projection</u>	<u>FY 16 Change</u>
<b>Revenue</b>					
Property Tax	2,141.4	2,157.4	16.0	2,229.4	72.0
Replacement Tax	105.5	105.5	0.0	105.5	0.0
All Other Local	169.7	151.7	(18.0)	151.7	
<b>Total Local</b>	<b>2,416.6</b>	<b>2,414.6</b>	<b>(2.0)</b>	<b>2,486.6</b>	<b>72.0</b>
State	1,621.5	1,455.5	(166.0)	1,459.5	4.0
Federal	908.4	908.4		908.4	
Investment Income	3.1	3.1		3.1	
<b>Total Revenue</b>	<b>4,949.6</b>	<b>4,781.6</b>	<b>(168.0)</b>	<b>4,857.6</b>	<b>76.0</b>
<b>Appropriations Base</b>	<b>5,592.3</b>	<b>5,592.3</b>		<b>5,695.9</b>	
<b>Net Surplus/(Gap)</b>	<b>(642.7)</b>	<b>(810.7)</b>		<b>(838.3)</b>	
<b>Cost Increases</b>					
Pension Increase		18.8		19.4	
Salary Increases		93.8		114.9	
Health Care inflation@3%		11.0		11.0	
School action savings		(20.0)		(23.0)	
<b>Total Cost Changes</b>		<b>103.6</b>		<b>122.3</b>	
<b>Revised Appropriation</b>	<b>5,592.3</b>	<b>5,695.9</b>		<b>5,818.2</b>	
<b>Net Surplus/(Deficit)</b>		<b>(914.3)</b>		<b>(960.6)</b>	



# OUR RECOMMENDATIONS FOR EFAC

December 2, 2013



# OUR LENS

2

- EQUITY: To fight the extreme inequities in our funding system
- FLEXIBILITY: To maximize districts' ability to invest in what works
- ACCOUNTABILITY: To make sure flexible funds are used effectively to improve outcomes for students

# GSA: CONSOLIDATE MCAT LINES

3

- We support consolidating most lines into a single, equalized, weighted formula to enhance equity and flexibility.
- Specifically: lines that go *to all districts* (MCATs and bilingual).
- Concern: Early Childhood won't work as a consolidated line item yet (too many non-district providers and birth-to-3 set-aside). Maintain it as a separate appropriation.

# GSA: PENSIONS

4

- We're the second-most regressive state in school funding – and that doesn't take into account our inequitable pension funding.
- The most inequitable way we deliver state funding to schools is through the State covering TRS costs.
- Shift TRS normal cost to school districts and apply the savings to increase the Foundation Level (~\$630 million). This fits right in with the concept of merging other funding streams into one.

# GSA: POVERTY CONCENTRATION

5

- Research affirms the need for more funding per student as poverty concentration increases, with a tipping point at just over 50% concentration.
- The total funding Illinois ties to poverty counts is low. We should devote about 40% of the total to poverty concentration grants.
- Curvilinear v. linear? A compromise might be California's model: flat grant up to 55% and then concentration grants kick in.

# GSA: WEIGHTED STUDENT COUNTS

6

- ❑ Don't include gifted counts, which tend to divert funding from needier areas.
- ❑ Include weights for poverty (sliding scale based on concentration), special education (~2.0), and English language learner (~1.4).
- ❑ Add separate high-cost, low-incidence special education funding stream, but assume standard percentage of special education students in formula to prevent over-diagnosis.

# ACCOUNTABILITY: SCHOOL-LEVEL BUDGET TRANSPARENCY

7

- Under the current formula and even more so under this proposed change, GSA will be tied to district wealth and student need. But the funding is unrestricted and there is no requirement that it be invested specific to the neediest students.
- We support requiring districts to report school-level spending allocations add transparency so communities can see where those funds are being spent.

# ACCOUNTABILITY: ISBE SUPPORT FOR STRUGGLING DISTRICTS

8

- More flexible funds will flow to districts under this plan – which enables them to maximize efficiency of funds by investing in their specific needs.
- But, the need for a backstop for the small number of cases in which funding is not reaching students becomes even more important.
- ISBE's intervention bill (SB 2340) enables ISBE to support districts where student outcomes are not improving *and* district cannot pass accreditation process.

**Senate Education Funding Advisory Committee****December 2, 2013**Guiding questions

- What are the legislature's expectations for school districts? What opportunities should all districts provide to their students?
- Can we base a new formula on the assumption that the state will take on the "primary responsibility for financing the system of public education."
- How can the state support high quality, research based intervention in low performing schools?
- How can we identify Illinois districts that are efficiently using resources and increasing student performance? How can high efficient/achievement districts partner with low efficient/achievement districts to create learning opportunities?

Recommendations

- We must identify meaningful benchmarks for schools and identify how the state can prioritize these efforts.
- We need new dollars for public education; we cannot support redistributing dollars that are already insufficient.
- Our organizations supported the income tax extension two years ago and are willing to support more revenue with assurances that the money will drive student achievement.
- We support legislation to lift rate caps in individual district funds and allow districts to use the IMRF/Social Security levy for future pension costs.

Funding formula issues

- The General State Aid line item funds three formulae: the formula grant (flat, alternate method, and foundation level), Supplemental General State Aid, and the PTELL Adjustment. We recommend that the Committee define the purpose of General State Aid, identify the interplay between PTELL and school funding formulae, and consider alternative calculations for Supplemental General State Aid in order to target dollars toward districts with high populations of students living in poverty.
- Utilize university or outside organization with proven expertise in school funding formulae to review Illinois' current structure and funding practices and to make recommendations to EFAC. Potential partner is the University of Wisconsin and/or Alan Odden.