

SENATE BILL 231 FREQUENTLY ASKED QUESTIONS

Q: What's wrong with Illinois' current education funding system?

Illinois has the most regressive education funding system in the nation. In our state, students who need the most support get the least resources.

According to a 2015 report of *The Education Trust*, for every dollar spent to educate students from wealthier districts, only 81 cents are spent on students from poor districts.

Moreover, our funding system is a web of complicated formulas that result in less than half of all State education dollars going to school districts based on a local district's ability to pay for local schools. More than half of State education dollars go to districts regardless of their wealth, shortchanging poor districts with students who have greater needs.

Q. How is *Better Funding for Better Schools* different from the other funding reform bills that have been around recently?

Better Funding for Better Schools is a new approach to education funding reform. Over the last three years, there have been several bill drafts, review committees, and education funding reform blueprints. ***Better Funding for Better Schools is a comprehensive bill that incorporates the evidence-based practices from all of these efforts. This bill is set apart from others by the following:***

- Even more evidence-based practices are given a weight under the model.
 - Districts will receive additional funding for grade K-3 and grade 9.
- CPS is brought in-line with the rest of the State by removing its block grants and addressing pension fairness.
- There is an adequacy grant to support districts that are putting in significant local resources, but even with state support still are not able to meet adequate funding levels.
- A weight in the new formula addresses regional differences in costs for education services and teacher wages.
- Funding for districts with above-average special education needs would be calculated based on their unique concentration of special education students.
- Transportation funding will continue to be a separate funding stream and not part of the new funding formula.
- There is a transitional hold-harmless grant for districts spending over 110% of their adequacy target.

After the Senate's Education Funding Advisory Committee (EFAC), SB16 (Manar) was filed. SB16 moved toward a weighted student formula; however, it also had a detrimental impact on numerous underfunded, overtaxed districts across the state. The House convened a working group after SB16 passed the Senate, and the Senate sponsor amended the concept to protect "anomalous" districts. This new bill, SB1, accounted for cost-of-living differences, and ironed out some of the concerns with SB16.

Meanwhile, SB 1403 (Barickman) and HB 4022 (Welch) were filed to move toward an evidence-based model for defining school funding adequacy.

Better Funding for Better Schools incorporates evidence-based weights (like these bills), focuses almost all education dollars through a single streamlined formula (like SB1), and incorporates hold harmless provision so that no district would see any loss in state funds. Better Funding for Better Schools also includes pension fairness for Chicago Public Schools, like the proposal under SB 318 (Cullerton).

Q. What does the new funding system do?

The new approach to education funding in Illinois will reflect some key principles:

1. State resources should go to school districts based on the needs of their students with more funds to support kids who we know – from research– need extra support. These are kids who live in poverty, have special learning needs or who are just learning the English language.
2. Funds should be distributed through a single, straightforward model. Special deals are over. This will be a welcome relief for districts who confront one bureaucratic hurdle after another just to get the state funds they're due.
3. We need to take into account a school district's ability to support local schools with local funds.
4. All districts should be funded the same way, which includes pension parity for Chicago, the only school district in Illinois that does not receive state funding for pensions.

Q. What is a weighted student funding formula?

Under a weighted student funding formula, a base Foundation Level is established and then adjusted for each school district based on the district's student needs. This calculation results in a "weighted Foundation Level" for each district.

Rather than funding a hodgepodge of line items that often work at cross-purposes, nearly all funds are focused in the primary formula. Funds are then allocated to school districts so that, between local resources and state aid, each district reaches its weighted Foundation Level.

States that have recently revamped their formulas, like Massachusetts, California, and Rhode Island, have all moved toward weighted student funding formulas.

Q. Give me an example how that works in practice.

Let's assume Elementary District X has 1,000 students, 250 of whom are low-income, 250 are English learners, and 140 have special needs. There are 100 students enrolled in full-day kindergarten and 300 in grades 1-3. District X is in a downstate district and does not get a cost-of-living weight.

We will start by calculating the district's student weight:

- The district has low-income students, but not a particularly heavy low-income concentration. Each of the 250 low-income students will get a weight at 25%. $((250/1000) \times 0.25) = 6.25\%$
- Each English learner gets a 25% weight. $((250/1000) \times 0.25) = 6.25\%$
- Students with special needs receive a 100% weight. $((140/1000) \times 1.0) = 14.0\%$
- Each student enrolled in full-day kindergarten or grades 1-3 gets a 5% weight. $((400/1000) \times 0.05) = 2.0\%$
- We add up each of these weights $(6.25 + 6.25 + 14 + 2 = 28.5)$, which together with the base funding level, means that District X weighted Foundation Level is 128.5% of the base.

Whatever Foundation Level is set in statute and funded, District X's weighted Foundation Level will be 128.5%. If the Foundation level is \$6,119, District X's weighted Foundation Level is \$7,863 (128.5% of \$6,119). The formula would look at local property values to determine how much District X can raise locally at an assumed tax rate at 2.3%, and the state would send the district the remaining resources needed to ensure that the district has \$7,863 per pupil.

The district would continue to receive transportation, early childhood education, and high-need special education funding outside of the main formula.

Q. What weights are included in the new formula?

The Better Funding for Better Schools approach includes weights for student characteristics, recognizing the costs and benefits of evidence-based practices to serve all students. These weights include:

Demographic or practice	Weight	Rationale
Foundation Amount	100%	
Then add the following amounts based on specific characteristics		
Special education	100%	To provide interventions and supports to serve students with special needs
Low-income	25% - 75% (based on concentration)	Recognizing the disadvantages low-income students face, funding supports the interventions and supports needed for them to reach grade level
English learners	25%	To provide bilingual education programs
Full-Day Kindergarten	5%	To incentivize districts to keep or start full day kindergarten programs
Students in grade 1-3	5%	Recognizing the best practice of providing reading specialists and smaller class sizes in these grades
Students in 9 th grade	15%	Recognizing the best practice of providing advisory programs for college/career planning
AP test and dual credit completers	2%	Incentivizing programs that enable students to earn college credits in high school
Career pathway participants	2% (additional 2% for completion)	Incentivizing career-oriented education that prepares students for careers
Gifted and talented	1%	Incentivizing programs to serve gifted students

Q: Are there any districts that would lose money under this model? What is being done to help them?

No district will lose money.

First, the bill includes a 7-year “adequacy grant” for districts spending less than 110% of their adequacy target. The bill calculates an adequacy target by taking the district weight (a calculation of the amount of need in a district, which for Elementary District X (above) is 128.5%) and multiplying it by the Education Funding Advisory Board recommendation. EFAB's last recommendation for adequate funding was \$8,672. (So, with a weight of 128.5%, District X's adequate funding level is \$11,144 per pupil.) Districts that spend less than 110% of their “adequacy target” will receive supplemental funds under the new formula to hold them harmless.

In addition, the legislation includes several provisions, which will ensure that no district loses funding in the shift to the new model, including a full hold harmless for the first year that phases out over the next 3 years.

Q: What happens to the Chicago Block Grant under the bill?

The bill eliminates the Chicago Block Grant in order to give Chicago the funding they deserve in a way that brings them in line with the rest of the state—through the Primary State Aid formula.

Created in 1995, the Chicago Block Grant (CBG) provides CPS with a dedicated percentage of funding appropriated to certain state education budget lines. Other districts have to submit claims to receive the funding.

A few of the budget lines included in the Block Grants are not integrated into the new formula. For example, since early childhood funding has not been incorporated within the weighted student formula, Chicago will continue to receive 37% of the Early Childhood Block Grant. Chicago will also continue to receive 3.9 % of the transportation appropriation, 30.7% of the special education transportation appropriation, and 48.4% of the special education private tuition dollars, because those lines will not be integrated into the formula.

Q: What happens to Chicago's teacher pension funding?

Under current law, CPS pays the employer contribution for Chicago teacher pensions, while the state pays almost all the employer costs for teacher pensions for all other school districts. Under the Better Funding for Better Schools package the state will pay the “normal cost” of Chicago teacher pensions to move closer to pension fairness for CPS. This costs about \$200 million. CPS will still be responsible for paying the unfunded liability costs of about \$500 million.

Q: Even with the new formula, Illinois is still not even close to fully funding public education. How does this bill help make sure the state provides adequate resources?

On the whole, Illinois schools are unconscionably underfunded.

Better Funding for Better Schools focuses state funds in the most targeted way to enable underfunded districts to reach adequate funding. This will enable us to reach adequate funding for all school districts at a significantly lower cost to taxpayers. ***It would cost an additional \$5 billion to provide statewide adequate funding under the current formula, but it would cost just half that amount if we move toward a smarter formula first.***

Q: How will this reduce the over-reliance on property taxes?

Under the current system, the districts with the lowest property wealth also have the highest property tax rates. Better focusing the State's education funds will minimize the funding gap that has resulted in the explosion of tax rates in many districts. For example, the highest taxing district is Park Forest SD 63, which taxes itself at 7.8%, two and a half times the statewide average. Yet, the district still spends over \$3,300 per pupil below its adequacy target. The new funding system would increase Park Forest's state funding by \$1,168 per pupil, thereby reducing the district's pressure to look locally to fill the gap.

Q: A lot of districts have made difficult decisions to go to referendum and increase local resources. Will they be penalized for stepping up locally?

No. When the formula considers local ability to pay, it looks only at actual property values and assumed property tax rates. The formula does not consider actual property tax rates. If a district has raised its local tax rate, the amount of state aid the district gets will not be diminished. Likewise, if a district's property tax rate is lower than the assumed rate, the formula will not kick in more resources for the district.

Q: Education funding is very complicated. Don't we need more time for study and to make sure everyone's concerns are addressed?

The problems with the current state funding system and options for fixing it have been studied for the past three years. Bills to fix the system have been pending in the legislature for the past two years.

The Senate Education Funding Advisory Committee, created in 2013, met regularly to discuss funding best practices. A subject-matter expert from Education Commission of the States and numerous Illinois State Board of Education staff and board members participated, along with the eight members of the committee. A bipartisan report was produced in the spring of 2014. SB 16 was filed that year. The bill created a weighted student funding formula. It passed the Senate that spring.

During the summer of 2014, House Democrats convened meetings of stakeholders to explore SB 16 and other funding reform concepts. Later that year, an official House Education Funding Task Force was formed, holding hearings with ISBE experts, national researchers, and local stakeholders.

Meanwhile, the Senate sponsor traveled across the state, heard districts' concerns, and drafted a new version of the bill that incorporated numerous improvements. Perhaps the most significant of these were the changes to help districts that were underfunded and overtaxing, but still lost funding under the new formula.

Illinois needs a new education funding system, one that is reviewed consistently and not forgotten about until the situation is impossible to ignore. Better Funding for Better Schools contains the Primary State Aid Review Committee to look continuously at the formula and determine what works and to conduct a study on what adequate spending means for school districts in Illinois.

The time is now to fix this broken system. We shouldn't ask another generation of children to wait for the great education they deserve.

Q: When does the formula take effect?

The new formula will go into effect with the 2016-2017 school year. This gives districts the immediate benefit of additional funding. No district will lose funds next year as a result of Better Funding for Better Schools package.

Q: Does Governor Rauner's proposal to end proration help solve the education funding crisis?

While the Governor's proposal is laudable, it does nothing to fix the state's education funding system, which is the most inequitable in the country. Unless we fix this system, school districts throughout Illinois will continue to be split between the haves and the have-nots where wealthier district invest as much as \$30,000 per student and poorer districts invest as little as \$6,000.

Q: Isn't this mostly a Chicago problem?

Far from it. Urban, rural, suburban and downstate districts throughout Illinois have been shortchanged hundreds of millions of dollars by the state due to our broken education funding system because the majority of state funds are not allocated based on a district's local resources. Therefore, both wealthy and poor school districts are treated the same way for 55% of all state education dollars. Property poor districts are located in every part of Illinois and share the same financial challenges as Chicago.