SENATE BILL 1
THE EVIDENCE-BASED MODEL FOR SCHOOL FUNDING

Ensuring equitable funding to help all students succeed.

June 13, 2017

fix the formula ILLINOIS
EQUITABLE & ADEQUATE
SB1 Funding Formula Recognizes That All Students Can Succeed, But Each Student Has Different Needs

CURRENT FUNDING

EQUAL FUNDING

EQUITABLE & ADEQUATE FUNDING
Income quintiles are based on DHS %. Each quintile represents a fifth of the state’s student population.

### SB1 Adequacy Targets Are Progressive, While Current Funding Is Regressive

<table>
<thead>
<tr>
<th>Percent of Low-Income Students</th>
<th>Current Resources</th>
<th>Gap to SB1 Adequacy Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% - 22%</td>
<td>$12,000</td>
<td></td>
</tr>
<tr>
<td>23% - 35%</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>36% - 52%</td>
<td>$8,000</td>
<td></td>
</tr>
<tr>
<td>53% - 66%</td>
<td>$6,000</td>
<td></td>
</tr>
<tr>
<td>66% - 100%</td>
<td>$4,000</td>
<td></td>
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<tr>
<td>CPS (84%)</td>
<td>$14,000</td>
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</tbody>
</table>

*Low-Income quintiles are based on DHS %. Each quintile represents a fifth of the state’s student population.*
1. **Adequacy Target**
   How much does providing high quality education cost?

2. **Percent of Adequacy**
   How well-funded is the district?

   - **Local Capacity**
     How much can the district contribute?

   - **Base Funding Minimum**
     How much does the state currently contribute?

   - **GAP TO ADEQUACY**

3. **Distribution Formula**
   How is new money from the state distributed?
**STEP 1**
Calculate Cost of 27 essential elements
- Reading Interventionists
- Student Activities
- Full-day Kindergarten
- Special Education Teachers & Aides
- Smaller Class Size
- Technology
- Nurses & Guidance Counselors
- Professional Development
- Up-to-date materials

**STEP 2**
Apply essential elements to individual districts based on demographics
- Enrollment
- English Learners
- Special Needs
- Low-Income

**STEP 3**
Adjust salary-based elements for regional wage differences

= **DISTRICT ADEQUACY TARGET**
SB1 ADJUSTS COSTS BASED ON REGIONAL VARIATION

No Region Is Below 0.9

Understanding CWI: The CWI for Cook County is 6% above the state average, and the CWI for McLean County is 10% below the state average.
HOW DOES SB1 ASSESS LOCAL ABILITY TO PAY & ENSURE NO DISTRICTS loose FUNDING?
The current level of funding for a district is its **Percent of Adequacy**:

For example, if a district has an Adequacy Target of $12,000 and receives $4,000 in local funding and $5,000 in state funding for a total of $9,000, it would be at 75% of its Adequacy Target.
The Base Funding Minimum Ensures No District Loses Money

• Every district keeps the amount of state funding it received in FY17. This is the initial Base Funding Minimum.

• Going forward, no district will receive less state funding than it received the prior year.
  • Each new dollar a district receives from the state in Year 1 becomes a part of its Base Funding Minimum in Year 2 and so on.

• If the state does not appropriate enough to cover the cost of the Base Funding Minimum, then funds are first removed from the Base Funding Minimum from the most adequately funded districts. If that still isn’t enough, then further reductions are on a per pupil basis for all districts.
Local Capacity Reflects Local Resources That Support Education

To calculate how much a community can contribute to funding from local property taxes the model uses a Local Capacity Target (LCT).

• The LCT is the dollar amount a district would ideally contribute towards its Adequacy Target, based on a comparison of all districts in the state.

Districts With Higher Property Wealth Are Expected To Contribute More
For districts collecting taxes below their LCT:

- The formula uses their calculated LCT.
- This clearly shows that districts are responsible for a portion of how inadequately funded they are – when they tax low.
- If districts raise more revenue to reach their LCT, they do not lose any eligibility for state funding.

For districts taxing above their LCT:

- Real receipts are adjusted downward towards their LCT.
- Even though they are more adequately funded, they will get more state funding.
- Districts can also lower their taxes and be eligible for more state funding (see next slide)
For High Tax Communities The Property Tax Relief Fund Can Lower Property Taxes

• SB1 creates a fund to provide property tax relief to districts.
  • This is not intended to be a full property tax solution – but a complement to the funding formula that allows high tax/low capacity districts to reduce their taxes.

• High tax districts can apply for state funds to replace a limited amount of local tax dollars each year.

• Districts with less Local Capacity receive a greater refund for each dollar of tax relief they provide.
  • For example, a district with 20% Local Capacity Percent, will receive 96 cents from the state for each dollar of tax relief they provide.

• Unit districts can lower their tax rate by about 1 percentage point.*
  • For example, a district with a 7% Operating Tax Rate could lower their rate to 6%.

*Elementary districts can receive .69% and High school districts .31% tax relief
80% of districts in Illinois are funded below adequacy

New funding is required to get to adequacy

Therefore, no district should lose funding

**In Sum, Most Districts Are Far Away From Adequacy…**

*Source: Advance Illinois simulations of FY 17 based on ISBE’s May 30, 2017 draft of SB 1 Amendment 1. This is not intended to simulate FY18 allocations.*
HOW DOES SB1 TREAT CHICAGO PUBLIC SCHOOLS?
The Chicago Block Grant Is Integrated Into The Formula & CPS Does Not Lose Funding

• The Chicago Block Grant is sunset.
• CPS will get its claims moving forward, like every other district.*
• CPS’ existing funding is included in the Base Funding Minimum, so CPS students don’t lose money.
  • This is the same approach used for existing funding for every other district.
• The approach to calculating adequacy is the same for all districts moving forward.
• No district loses money compared to current funding levels, so there are #norednumbers

*There are no changes to Early Childhood Education funding
The Chicago Block Grant Will Be Integrated Into The Base Funding Minimum

CPS ADEQUACY TARGET $15,415

- Decreases Gap to Adequacy
- Existing Funding from Block Grant included in Base Funding Minimum

Adequacy Target
- Local Capacity
- Base Funding Minimum
- Gap to Adequacy
• Statewide teachers are part of the Teachers’ Retirement System (TRS)
  • The state makes payments to this system for both pension normal cost and unfunded liability.

• Chicago teachers are part of the Chicago Teachers’ Pension Fund (CTPF)
  • CPS is responsible for all pension costs for CTPF
Providing Fairness Between CPS and Other Districts

**CPS Adequacy Target**

- **$15,415**

**Base Funding Minimum** includes normal costs

**Unfunded liability goes to pensions, not kids**

**Adequacy Target**

- **Local Capacity**
- **Base Funding Minimum**
- **Gap to Adequacy**
SB1 Provides Parity And Security In Pension Payments

- Chicago uses local property tax dollars for pension payments. Adequate funding for Chicago must account for pension costs:
  - Chicago’s normal cost payments are part of adequate funding since they are for teachers currently in the classroom.
  - Chicago’s unfunded liability are accounted for in their Local Capacity since these are local tax dollars that cannot be used for adequate school funding.

- CPS will continue to be responsible to make the pension payments to CTPF. Effectively, the state payment will pass through CPS for them to pay CTPF. (Note: this does not change existing pension law)

- If any other district was required to pay its pension costs, SB1 would treat that district the same way, providing security to all districts.
IS

SB1 EQUITABLE?
SB1 Provides Equitable Funding To Both Low-income And Low Property Wealth Districts

• Over 85% of all dollars go to districts with greater than 50% low-income.

• Almost 70% of all dollars go to districts with lower than median property wealth.

• CPS receives about 20% of all new formula dollars. It has about 19% of the state’s students and 1/3 of its low-income students.

SB1 intentionally directs dollars to the least well-funded districts. These are by and large our poorest and most property poor districts.
SB 1 Increases Equity By Sending New Dollars To Neediest Districts

Distribution of $350M in New Funding by Low-Income

<table>
<thead>
<tr>
<th>% Low-Income</th>
<th>Enrollment</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% - 22%</td>
<td>317,206</td>
<td>$9M</td>
</tr>
<tr>
<td>23% - 35%</td>
<td>317,990</td>
<td>$22M</td>
</tr>
<tr>
<td>36% - 52%</td>
<td>315,332</td>
<td>$40M</td>
</tr>
<tr>
<td>53% - 66%</td>
<td>321,973</td>
<td>$70M</td>
</tr>
<tr>
<td>66% - 100%</td>
<td>318,898</td>
<td>$138M</td>
</tr>
<tr>
<td>CPS 84%</td>
<td>367,003</td>
<td>$70M</td>
</tr>
</tbody>
</table>

*Analysis is based on public ISBE data. Data reflects FY17 simulation. FY18 numbers will vary.*
SB 1 Also Increases Equity By Sending New Dollars To Property Poor Districts

Distribution of $350M in New Funding by Property Wealth

- **Local Capacity Target per Pupil**
  - $2M: $9,448 - $17,616
  - $10M: $6,490 - $9,448
  - $28M: $4,701 - $6,490
  - $82M: $3,508 - $4,701
  - $156M: $0 - $3,508
  - $70M: CPS $7,119
  - $70M: 318,760

- **Enrollment**
  - 313,860
  - 318,962
  - 321,842
  - 317,975
  - 318,760
  - 367,003

*Analysis is based on public ISBE data. Data reflects FY17 simulation. FY18 numbers will vary.*
HOW DOES THIS IMPACT ENGLISH LEARNERS?
The current system does not provide English Learners with adequate resources

• Currently State funding for bilingual education is at its lowest point in a decade
• In 2016, ISBE reported that 10.5 percent of Illinois students were designated as English Learners
• Majority of EL students in IL are Spanish speaking
• Research shows that English Learners thrive academically when provided with appropriate supports
SB1 provides English Learners with the resources they need to succeed

- Accounts for unique needs of English Learners in calculation of district Adequacy Target. Provides funding for:
  1) Math and reading interventionists
  2) Extra pupil support
  3) Extended day
  4) Summer School
  5) Dedicated English Learner Funds
- Fully funds the Bilingual line item as part of the Base Funding Minimum
  - This avoids enshrining current inequities into the new system
  - This funding becomes “locked in” and must be provided by the state in future years in addition to new funds allocated through the distribution model
The Adequacy Target in SB1 reflects the needs of English Learners

Not English Learner, Not EL

English Learner
HIGHLIGHTS OF SB1

✓ The new formula ties school funding to those evidence-based best practices the research shows enhance student achievement in the classroom.

✓ Each school district is treated individually, with an Adequacy Target based on the needs of its student body. The greater the student need, the higher the Adequacy Target.

✓ New dollars go to the neediest districts first—those furthest from their Adequacy Target. This will close the gaps in funding that exist in our current system.

✓ SB1 treats students in Chicago the same way it treats students in every other school district in the state by getting rid of Block Grants and reconciling pension payments.

✓ No district loses money. No exceptions. The starting point is the amount of funding the district has this year. All new state funding going forward is on top of what districts currently receive.
SB1 ALIGNS WITH THE FOLLOWING CORE VALUES

1. Recognizes individual student needs
2. Accounts for differences in local resources
3. Closes funding gaps & keeps them closed
4. Provides a stable, sustainable system that gets all districts to adequacy over time.

#norednumbers

SB1 meets these four requirements for an equitable funding system, and does so while ensuring that no district loses funding.
HOW DOES SB1 CLOSE THE GAP TO ADEQUACY?
SB1 Invests Dollars Equitably On The Path To Adequacy For All Districts

1. ADEQUACY TARGET
2. PERCENT OF ADEQUACY
3. DISTRIBUTION FORMULA

How is new money from the state distributed?
50% of all new dollars are allocated to the least well-funded districts in the state. These districts are provided extra support to get to adequacy. (Tier 1)

Most of the rest of the dollars (49%) go to inadequately funded districts proportionally. For example, all districts below 90% of Adequacy have their gap closed by 5%. (Tier 1 & 2)

Districts almost at adequacy (between 90% and 100% of Adequacy) get a smaller proportion of their gap closed. (Tier 3)

Districts above adequacy get a small increase in funding from the state each year. (Tier 4)

No district loses money.