

WHY ILLINOIS SHOULD ADOPT THE EVIDENCE-BASED EDUCATION FUNDING MODEL CONTAINED IN SB 1

① There is broad, bipartisan consensus that the current school funding formula fails to meet student needs.

Last summer, Governor Bruce Rauner created the bipartisan, bicameral Illinois School Funding Reform Commission (the “**Commission**”) to create a framework for reforming the current school funding formula. According to the Commission, such a reform was crucial, given the “alarming” disparities “in school funding and student outcomes” that have resulted under the current formula.

On February 1, 2017, the Commission published its recommendations for creating “meaningful, lasting reform.” Although the Commission did not agree on all issues, it did reach strong, bipartisan consensus to support a new formula that, among other items, contains the following key elements:

- Identifies an “individualized adequacy target for each school district”, that accounts for “the unique needs of its student population”;
- Bases this adequacy target on “best practices as reflected in educational research”, and has the elements of these research-based practices “written into the statute”;
- Permits local “flexibility” in the implementation of these research-based elements so “districts can implement strategies” designed to generate “the best academic and socio-emotional outcomes for their students”;
- Invests additional funds “to meet the needs of English Learners (**ELs**)”;
- Incorporates the funding for the “majority of special education services” into the formula, and ensures “that special education dollars are used for appropriate services”;
- Includes a regionalization cost factor to account for “varying wages across the state”;
- Modifies the percentage of state funds contributed to cover a district’s adequacy target under the new formula, by the amount of that district’s available local resources;
- Ensures additional resources are invested in “low-income children and those who live in areas of concentrated poverty”;
- Includes a “hold harmless” provision to ensure “the current quality of education” shall not be diminished in any school district;
- Increases equity, by ensuring that as money is added under the new formula, it “will be distributed first to those districts farthest from adequacy”; and
- Creates an ongoing “Commission for the Oversight and Implementation” of the new formula.

② SB 1 is a significant improvement over the current school funding formula in every area in which the Commission gained strong bipartisan consensus.

The state’s current, Foundation Level funding formula is not based on any research nor any actual costs of educating children. Instead a per-pupil funding amount is developed for the entire state based on what decision makers determine the state can afford. Given that Illinois state government has run a deficit in its General Fund every year since 1995, this method of determining school funding has proven to be consistently inadequate.

SB 1 is based upon the Evidence Based Model (**EBM**), which determines educational expenditures by identifying how much research-based “best practices” cost.

The **EBM** accomplishes this by first identifying and then costing-out those educational practices which the research shows:

- Enhance student achievement over time;
- Improve school climate while reducing disciplinary problems;
- Reduce drop-out rates while enhancing high school graduation and college enrollment rates;
- Meet academic and the social/emotional needs of students from diverse backgrounds; and
- Help create a K-12 system with the capacity to provide an education of sufficient quality for all students to graduate high school college and career ready, irrespective of income, race, geography, or ethnicity.

Moreover, the current formula uses a Foundation Level that is set by the General Assembly at the same dollar amount for all districts across the state. This fails to recognize the different needs and capacities of local school districts—and actually penalizes those districts which have low EAVs but high taxes.

- On top of that, a third of all state education funding currently flows through categorical items which do not account for the wealth of a district. Thus a wealthy district receives the same amount as a low-income district via categorical funding.

SB 1, on the other hand, establishes a local capacity target for each district in the state based upon that district's local property wealth, and then discounts some of the local investment made by low EAV, high property tax districts, to provide those districts more state resources, which can support both reaching an adequate level of educational funding, as well as property tax relief.

- Because most categorical funding is included in the **EBM** formula, future distributions will be more equitable, as they will account for local wealth and the demographics of each school district. That said, because of the hold harmless in SB 1, no school district will lose even a dollar of the categorical funding that it received in the year prior to passage of SB 1 for those categoricals rolled into the formula, including crucial items such as special education funding.

Under current law, if more money is added to the Foundation Level, most districts receive the same percentage increase in funding, no matter how far away from adequacy those districts happen to be.

The funding distribution in **SB 1** fixes this inequity by directing proportionately more funds to districts that are furthest from adequacy. In fact, approximately two-thirds of all new funding in the first year of **SB 1** will go to those districts furthest from adequacy.

As shown in *Figure 1*, **SB 1** is actually more equitable in how it distributes new school funding than the framework established by the Commission itself

FIGURE 1

Districts by % of Low-Income Students	Commission Framework Model	SB 1
0 - 20%	\$17	\$15
20 - 34%	\$42	\$28
34 - 51%	\$47	\$41
51 - 64%	\$73	\$80
64 - 100%	\$129	\$131
CPS - 82%	\$43	\$55
New Funding for Low-Income Students	\$215	\$244
New Funding for Non-Low-Income Students	\$139	\$130

While the differences may be small in some cases, SB 1 does direct more funds to those districts which have the highest percentage of low-income students.

③ How SB 1's Evidence Based Model compares to the state's current funding formula under the Commission's key recommendations.

As *Figure 2* demonstrates, SB 1 creates an EBM that satisfies every key Commission recommendation upon which there was broad, bipartisan consensus. So, while some, more contentious matters remain unresolved, SB 1 represents a significant improvement over the current school funding formula—that satisfies those criteria for funding reform that generate strong bipartisan support.

FIGURE 2

Commission Framework	Commission Consensus	Current Formula	SB 1
Use research and best practices as a means to fund the cost of providing a meaningful educational opportunity to every child	Yes	No	Yes
Create an individualized adequacy target for each school district based on the unique needs of its student population.	Yes	No	Yes
Allocate additional resources to low-income children and those who live in areas of concentrated poverty.	Yes	Yes	Yes
Establish a “local capacity target” that reflects each district's local wealth and level of need.	Yes	No	Yes
Consider the local wealth of districts with low EAV and high taxes that, despite their effort, are still not adequately funded.	Yes	No	Yes
Ensure districts farthest away from their adequacy targets receive the greatest benefit from any additional resources.	Yes	No	Yes
Create a Commission for the Oversight and Implementation of the School Funding Formula to recommend to the General Assembly implementation updates, emerging best practices, and cost-of-living adjustments	Yes	No	Yes
Leave the early childhood funding line item out of the integrated formula.	Yes	Yes	Yes
Recognize that additional funds are required to meet the needs of English Learners (EL) and include support therefore in the elements of the formula.	Yes	No	Yes
Recognize that the normal cost of pensions and statewide pension liabilities affect the ability of the state to make strides towards adequate school funding.	Yes	No	Yes
Integrate funding for most special education services into the formula.	Yes	No	Yes
Maintain current funding and line items for disconnected youth.	Yes	Yes	Yes
Leave the transportation funding line item out of the funding formula.	Yes	Yes	Yes
Provide district authorized charter schools funding that is equitable to district-managed public schools on a per-pupil basis.	Yes	No	Yes
Create a spending transparency report that communicates federal, state, and local spending in a way that is understandable to the average person and that's included on the Illinois State Report Card.	Yes	No	Yes

④ Areas of Mixed Support

Generally speaking, the Commission felt the following matters were important, but did not reach full consensus on the best way to resolve them.

FIGURE 3

Commission Framework	Commission Consensus	Current Formula	SB 1
Change how the Chicago Public Schools (CPS) Block Grant is handled	No	No	Yes
Provide Mandate Relief for districts: physical education, drivers education, and greater management flexibility	No	No	Yes, in HB 1259 & HB 1261
Provide some Property Tax Relief	No	No	Yes, plus HB 1126
Modify funding for Educational Services for Students with Disabilities based on where those services are provided	No	No	No
Provide Private School Tax Credits	No	No	No

Obviously, under current law, Block Grants for CPS would continue. **SB 1** eliminates most CPS Block Grants going forward, except for Early Childhood, as all funding for Early Childhood statewide remains separate from the **EBM**.

As for property tax relief, **SB 1** has a limited solution that addresses property tax relief vis-à-vis its relationship to the education funding formula. This is accomplished by creating a property tax relief pool to which high property tax districts can apply for a limited degree of relief annually, that would be approximately equivalent to a one percent (in unit districts) decrease in their local tax rate.

