SB1947 - THE EVIDENCE-BASED FUNDING FOR STUDENT SUCCESS ACT

Ensuring equitable funding to help all students succeed.
OVERVIEW

✔ Illinois needed to reform its school funding system because it was last-in-the-nation for equity and didn’t serve the neediest students well.

✔ The new formula is evidence-based, takes into account student needs and districts’ ability to support schools, closes equity gaps and keeps them closed. It is a long-term solution where no district loses funding.

✔ Funding distributed equitably and we now have a roadmap to adequate funding for all districts.

✔ Other provisions in the final bill include mandate relief for school districts, a private school scholarship tax credit, and the creation of a TIF Task Force.
WHY DID ILLINOIS NEED TO FIX ITS FUNDING SYSTEM?
EQUITABLE & ADEQUATE

New Funding Formula Recognizes That All Students Can Succeed, But Each Student Has Different Needs
ILLINOIS’ UNFAIR K-12 FUNDING SHORTCHANGES STATE’S NEEDIEST STUDENTS

FOR EACH $1 SPENT ON A NON-LOW-INCOME STUDENT...

OHIO SPENDS $1.22 ON A LOW-INCOME STUDENT

ILLINOIS SPENDS $0.81
ILLINOIS DEPENDS MORE HEAVILY ON LOCAL RESOURCES THAN NATIONAL AVERAGE

80% OF DISTRICTS ARE BELOW ADEQUACY

FUNDING COMPARED TO 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.
CORE VALUES WE SOUGHT IN FUNDING REFORM

A school funding formula that…

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.
5. Ensures no district loses state funding compared to prior fiscal year.

The new legislation meets these five requirements for an equitable funding system.
The Illinois State Board of Education (ISBE) is in the process of verifying data elements needed to calculate school districts’ 2018 state payments under the EBM system enacted in SB1947.

Final calculations and Tier placements will be available in a few months.

Initial payments to school districts will be the Base Funding Minimum (BFM) amounts, or hold harmless payments, which are equal to the expected final fiscal year 2017 distributions.

Each district’s preliminary base-funding minimum amounts can be viewed at www.isbe.net/ebf2018.

Districts will receive payments on the 10th and 20th of each month from September through June in FY 2018.

In future years, the schedule will remain the same as General State Aid was previously distributed – 22 payments in total distributed August through June.
NEW FORMULA WILL INCREASE ADEQUACY OVER TIME WITH ADDITIONAL INVESTMENT

TODAY

SIMULATION OF $2 BILLION IN NEW FUNDING
HOW DOES IL’S EVIDENCE-BASED FUNDING MODEL WORK?
**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**
THE MODEL IMPLEMENTED BY SB1947

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?
In FY18, every district keeps the amount of state funding it received in FY17. Going forward, the BFM is cumulative, and includes both the prior year BFM and the dollars districts received through the tiers.

The BFM exists in perpetuity in SB1947 – it does not expire.

The BFM is on a per district and not per pupil basis, so even districts with falling enrollment will not see a decrease in state funding from year to year.
IN EVENT OF UNDER-APPROPRIATION, HIGH NEED DISTRICTS ARE PROTECTED FROM PRORATION

• If the state does not appropriate enough to cover the cost of the Base Funding Minimum, then funds are first removed from the BFM of the most adequately funded districts (unlike proration in the past).
  • In this case, Tier 3 and 4 districts would first lose any evidence based dollars received in prior years

• If that does not cover the value of the under-appropriation, then further reductions are on a per pupil basis for all districts.
THE MINIMUM FUNDING LEVEL CREATES REQUIREMENT FOR NEW STATE DOLLARS ABOVE BFM

• Minimum Funding Level requires state to contribute at least $300M to the formula and at least another $50M to either the formula or tax relief.

• If Minimum Funding Level is not reached, then new dollars appropriated above BFM will be focused on the least adequately funded districts.

• The Minimum Funding Level is not a guarantee that no district will ever lose money. All districts, not just the least well-funded, need to advocate for the state to fully fund education each year as the budget is negotiated.
DISTRICTS FURTHEST FROM ADEQUACY RECEIVE GREATEST SHARE OF NEW DOLLARS

Districts are placed into Tiers based on whether they fall below a certain percent of adequacy.

**TIER 1** Includes the least well-funded districts in the state, which receive 50% of new dollars. The percent of adequacy below which districts are placed into Tier 1 is dynamic, and is defined when all Tier 1 dollars are spent.

**TIER 2** Includes all districts below 90% of adequacy (including Tier 1 districts). 49% of new dollars go to this group of inadequately funded districts proportionally.

**TIER 3** Districts between 90% and 100% of adequacy get a smaller proportion of their gap closed, and receive .9% of new funds.

**TIER 4** Districts above 100% of adequacy get a small increase in funding from the state each year, and receive 0.1% of new funds.
PARITY AND SECURITY IN PENSION PAYMENTS

- In SB1947, outside of distribution formula, CPS’ normal cost of pensions is now covered by state ($221M in FY 18) and protected by “continuing appropriation”.

- CPS responsibility for its unfunded liability is recognized in the calculation of its local capacity.

- All other districts will be treated the same if they have unfunded liability from the new “Tier 3” pension system.

- Allows CPS to increase property tax levy for pensions.
The Chicago Block Grant is sunset. This is how CPS used to get Special Education funding. Now, funding comes through the EBM.

For items outside the formula, CPS will be able to make claims moving forward, like every other district.

CPS’ doesn’t lose money. No district loses money compared to current funding levels, so there are #norednumbers
PROPERTY TAX PROVISIONS

• Creates Property Tax Relief Fund targeted to districts with high property tax rates but low property wealth
  • Districts apply for state grant which they use to reduce property taxes
  • For example, unit districts can lower their tax rate about 1 percentage point: a district with a 7% operating tax rate could lower it to 6%

• Requires state appropriation to fund the grants. No funding appropriated in FY18

• Voters in districts funded above 110% of adequacy can petition for referendum to lower property taxes by 10%

• Creates Task Force within General Assembly to look at TIF funding issues. Report due April 1, 2018.
WHAT OTHER PROVISIONS WERE INCLUDED IN THE BILL?
PRIVATE SCHOOL SCHOLARSHIP PROGRAM TAX CREDIT

• Individuals and corporations can contribute up to $1.3M annually and receive a 75% tax credit (credit of up to $1M)

• Maximum of all tax credits in $75M annually. This will represent $75M less in state revenue.

• Program runs from January 1, 2018 – December 31, 2022

• ISBE must hire independent research organization to report on student learning gains. Students must be assessed using same assessment as district schools.

• Students in families up to 300% of poverty level are eligible for scholarships
  • Priority given to students in families under 185% of poverty level or live within a focus school district
  • Scholarships given on sliding scale, with only students below 185% of poverty receiving full tuition
MANDATE RELIEF & CHARTER FUNDING EQUITY

• **PE.** School boards can determine frequency of PE, as long as it is at least 3 days per week (previously statute required daily PE)

• **Sports Exemption.** Allows districts to exempt on a case-by-case basis 7th-12th graders who participate in sports from the PE requirements (previously only 9th – 12th graders could be exempted)

• **Driver’s Education.** Allows districts to contract with third part Driver’s Education vendors without requesting a waiver from the General Assembly.

• **Streamlined Waivers.** Provides streamlined process for waivers from the General Assembly from other state mandates

• **Charter Payments.** Narrows range of payments to charters to ensure parity in funding with district-run schools
WHAT DATA AND REPORTING REQUIREMENTS DOES SB1947 HAVE?
ISBE DATA COMMUNICATION REQUIREMENTS TO DISTRICTS

- **School Report Card information:**
  - Final % of Adequacy
  - Local Capacity Target (%)
  - Real Receipts (%)

- **Adequacy Target**
  - With the costs and FTE for each of the 27 elements

- **Base Funding Minimum** (not specifically mentioned in legislation, but required to confirm the items below)
  - Total state funds from Base Funding Minimum and new distribution that are allocated for:
    - Students with disabilities
    - Bilingual or EL services

- **Net State Contribution Target** (the gap between the Adequacy Target and Final Resources calculated in the formula)

- **EBM Distribution payable in FY18**
  - Through the Tier in which each district is placed based on the formula in FY18.
DISTRICTS REPORTING REQUIREMENTS TO ISBE

• Annual Spending Plan
  • Submitted by the end of September as part of the annual budget process
  • Identify how funds will be allocated for
    • Low Income
    • Special Education
    • English Learners
      
      (Note: Funds from the BFM and EBM distribution for these three areas must be expended for these functions)
  • How funds will contribute to student growth (ESSA)
  • How funds will contribute to ISBE education goals
School funding tied to those evidence-based best practices the research shows enhance student achievement.

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.

Chicago students receive parity to 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.

Provides a long-term fix for our state’s worst-in-the-nation school funding formula.
QUESTIONS

For additional resources, visit www.fundingilfuture.org

#FixedItNowFundIt
APPENDIX: IS SB1947 EQUITABLE?
SB1947 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.

SB1947 intentionally directs dollars to the least well-funded districts. These are by and large our poorest and most property poor districts.
SB 1947* 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>
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<tbody>
<tr>
<td>0% - 22%</td>
<td>317,206</td>
</tr>
<tr>
<td>23% - 35%</td>
<td>317,990</td>
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<tr>
<td>36% - 52%</td>
<td>315,332</td>
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<tr>
<td>53% - 66%</td>
<td>321,973</td>
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<tr>
<td>66% - 100%</td>
<td>318,898</td>
</tr>
<tr>
<td>CPS 84%</td>
<td>367,003</td>
</tr>
</tbody>
</table>

*Analysis is based on ISBE SB1 modeling. Data reflects FY17 simulation. FY18 numbers will vary.
SB 1947* Also Increases Equity By Sending New Dollars To Property Poor Districts

Distribution of $350M in New Funding by Property Wealth

*Analysis is based on ISBE SB1 modeling. Data reflects FY17 simulation. FY18 numbers will vary.