Funding Fundamentals:
Funding Inequity in Illinois
Illinois now has some of the largest income-achievement gaps in the country...

Low-income achievement gap: students at or above proficient, 2015 NAEP.

Source: NAEP 2015.
And has among the worst race-based achievement gaps in the country

Illinois race-based achievement gaps, NAEP, 2015.

At the same time, Illinois has the most regressive funding system in the country.

Funding gaps between the highest and lowest poverty districts by state

Spending money inequitably fails to improve state performance, meaning all students lose

Reading this figure: In Ohio, the highest poverty districts receive 22 percent more in state and local funds per student than the lowest poverty districts (not adjusted for additional needs of low-income students). In states shaded in green, the highest poverty districts receive at least 5 percent more in state and local funds per student than the lowest poverty districts; in states shaded in red, they receive at least 5 percent less. Grey shading indicates similar levels of funding for the highest and lowest poverty districts.

Note: Hawaii was excluded from the within-state analysis because it is one district. Alaska and Nevada are also excluded because their student populations are heavily concentrated in certain districts and could not be broken into quartiles. Because so many of New York’s students are concentrated in New York City, we sorted that state into two halves, as opposed to four quartiles.
Research shows at-risk students have greater needs that require additional resources.

- In general, research shows low-income students have greater social, emotional, and physical needs than do other students.

- Addressing these needs requires additional resources and services to ensure students’ success.

- In Illinois, these students are actually funded less than other students because of our reliance on local property taxes.
We spend less on low-income students than we do on non-low-income students.

Each quintile represents ≈ 20% of the Illinois students.

Operating expenditure per pupil (local, state and federal dollars), low-income district quintiles and Chicago, 2014.

Note: funding excludes capital spending

Chicago’s OEPP includes its pension payments

1Chicago Public Schools (CPS) is its own category as it represents 22 percent of the state’s enrollment; CPS is not included within the other quintiles

Source: iLearn, 2014. CPS Pension data.
When Federal dollars and Chicago’s pensions are removed, our system’s regressiveness becomes even more apparent.

Note: funding excludes capital spending

Chicago Public Schools (CPS) is its own category as it represents 22 percent of the state’s enrollment; CPS is not included within the other quintiles

Source: ILearn, 2014. CPS Pension data.

Each quintile represents ≈ 20% of the Illinois students¹

State and local spending, low-income district quintiles and Chicago, 2014.

<table>
<thead>
<tr>
<th>Average DHS%</th>
<th>Least low-income</th>
<th>Most low-income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 18%</td>
<td>12,415</td>
<td>12,640</td>
</tr>
<tr>
<td>2 35%</td>
<td>11,548</td>
<td></td>
</tr>
<tr>
<td>3 56%</td>
<td>10,484</td>
<td></td>
</tr>
<tr>
<td>4 78%</td>
<td>10,554</td>
<td></td>
</tr>
<tr>
<td>5 100%</td>
<td>10,797</td>
<td></td>
</tr>
</tbody>
</table>

¹Chicago Public Schools (CPS) is its own category as it represents 22 percent of the state’s enrollment; CPS is not included within the other quintiles

Source: ILearn, 2014. CPS Pension data.
Total spending is extremely regressive when districts are divided based on property wealth.

Operating expenditure per pupil (local, state and federal dollars), low-income district quintiles and Chicago, 2014.

Each quintile represents ≈ 20% of the Illinois students.

1 Chicago Public Schools (CPS) is its own category as it represents 22 percent of the state’s enrollment; CPS is not included within the other quintiles.

Note: funding excludes capital spending.

Source: ILearn, 2014. CPS Pension data.
Illinois’ districts rely more heavily on local property taxes than other states, and this trend is increasing

Share of federal, state and local education revenue for Illinois compared to the US average.

1. Includes special education. Note: Categoricals include some competitive grants. Additional competitive grants represent very small portion of total spend.
2. Illinois distributes an additional $3.5 billion in federal funds to support state and local education. (source: Illinois State Board of Education Budget Book).
3. Source: Illinois State Board of Education; ILearn website, APA report to EFAC.
But other states with a low share of state funding are still more equitable than Illinois.

**Reading this figure:** In Ohio, the highest poverty districts receive 22 percent more in state and local funds per student than the lowest poverty districts (not adjusted for additional needs of low-income students). In states shaded in green, the highest poverty districts receive at least 5 percent more in state and local funds per student than the lowest poverty districts; in states shaded in red, they receive at least 5 percent less. Grey shading indicates similar levels of funding for the highest and lowest poverty districts.

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Illinois’ state funding formula does not target enough dollars based on need.

<table>
<thead>
<tr>
<th>Funding source</th>
<th>% of state funding</th>
<th>% low income (DHS)</th>
<th>District property wealth (EAV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General State Aid: Formula Grant</td>
<td>40%</td>
<td>✗</td>
<td>☑</td>
</tr>
<tr>
<td>General State Aid: Poverty Grant</td>
<td>26%</td>
<td>☑</td>
<td>✗</td>
</tr>
<tr>
<td>Mandated categoricals</td>
<td>26%</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>All other categoricals</td>
<td>7%</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Chicago block grants*</td>
<td>7%</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Other Funds</td>
<td>1%</td>
<td>☑</td>
<td>☑</td>
</tr>
</tbody>
</table>

- Included in formula
- Variable across category
- Not included in formula

An Ineffective Formula: Illinois’ Current Funding System
In Illinois, no education grants consider both a district’s local resources and concentration of low-income students.

<table>
<thead>
<tr>
<th>GSA Formula Grant</th>
<th>GSA Poverty Grant</th>
<th>Mandated Categoricals</th>
<th>Other Categoricals</th>
<th>Chicago Block Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>The largest source for state education funding in Illinois. Distributes dollars to districts based on their local resources.</td>
<td>Supplemental funding distributed at a flat, per-pupil rate based on a district’s concentration of low-income students.</td>
<td>Funding for special education, transportation, free/reduced price lunch and breakfast. Does not consider a district’s local resources or concentration of low-income students.</td>
<td>Other grants for assessments, early childhood education, gifted education, bilingual education, advanced placement, etc.</td>
<td>A certain percentage of grants that is designated for Chicago Public Schools because of its size and unique needs. Does not consider Chicago’s local resources or concentration of low-income students.</td>
</tr>
</tbody>
</table>
Our largest education funding stream does not consider student needs...

- The largest amount of state funding for education is the General State Aid Formula Grant. (General State Aid includes this grant and the Supplemental Poverty Grant.)

- The formula grant is based on a concept called the Foundation Level, a base level of funding to educate an Illinois student. Since 2010, the Illinois General Assembly has set a Foundation Level of $6,119 per student.

- The formula grant determines a district’s local resources, based on local property wealth and the district type (Unit, Elementary, High School). The state pays the difference between the district’s local resources and the Foundation Level.

- If a district’s local resources are within 93% and 175% of the Foundation Level, an Alternate Grant is used to determine state funding. If a district’s local resources are above 175% of the Foundation Level, the district receives a Flat Grant ($218 per pupil).
The Foundation Formula is not working.

- GSA’s Foundation level represents a single definition of adequate funding for every student in the state and does not consider the costs of educating students with additional needs.

- Even if a single definition of adequacy was appropriate, $6119 is far below the Education Funding Advisory Board’s recommended Foundation Level of $8767.

- And Illinois is not currently funding schools at $6,119. For the past 5 years, budget cuts have led Illinois to pro-rate, or fund districts at 89% of their claim.

Illinois needs a definition of adequacy based on the unique needs of students and districts, and an approach to funding adequately.
And cuts to the education budget have moved Illinois further away from adequate spending.

Comparison of adequate foundation level target (EFAB recommendation) and actual foundation level, 2015.

*Estimate of foundation level based on current funding levels
Source: Education Funding Advisory Board, Illinois State Board of Education; Advance Illinois analysis of FY2013 General State Aid entitlement calculations, February 2013
Proration hurts the neediest districts the most.

Amount of dollars lost per student due to proration by low-income quintile.

*Chicago Public Schools (CPS) is its own category as it represents 22 percent of the state’s enrollment; CPS is not included within the other quintiles

Note: Adequacy is defined as the EFAB recommendation multiplied SB1 weights – this approach provides a different adequacy value for every district.
Adding new dollars to the current formula would only have some impact on equity.

Comparison of per-pupil spending under the current system, a fully funded system, and a system with EFAB’s recommendation, for low-income quintiles.

*Chicago Public Schools (CPS) is its own category as it represents 22 percent of the state’s enrollment; CPS is not included within the other quintiles.

Note: Adequacy is defined as the EFAB recommendation multiplied SB1 weights – this approach provides a different adequacy value for every district.
Our neediest students would still be underfunded if we funded at EFAB’s recommendation.

New dollars into the current formula grant have limited impact on equity and are an inefficient approach to improving adequacy.

Adding an additional $4B brings us to EFAB’s recommendation, but still does not bring all students to adequate funding.

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Note: Adequacy is defined as the EFAB recommendation multiplied SB1 weights – this approach provides a different adequacy value for every district.
Other funding streams have issues, as well.

- The poverty grant (GSA Supplemental) does not consider districts local resources and its curve underfunds districts with between 50% and 80% low-income

- Mandated Categoricals funding rises in-line with GSA and do not (for the most part) consider local resources

- The Chicago block grant does not reflect the current demographics of the state and city
Weighted Funding Formula
Weighted funding formulas resolve issues with the current formula.

- Many states have weighted funding formulae including: MA, NJ, RI, CA, and MD
  - SB1 is simply a version of this type of formula

- A weighted funding formula provides a foundation level for each district (i.e. a base funding level * weights for a district)

- Mechanics of formula are similar to our current system, but the state pays the difference between the weighted foundation level and local resources.

- Weights can be used to develop an approach to adequacy that incorporates need. This can be compared to “total spend” to provide more accurate pictures of adequate spending.
### Example: Proposed Weights for SB1

<table>
<thead>
<tr>
<th>Student Need</th>
<th>Additional Weight (above base amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty</td>
<td>25 percent to 75 percent per student based upon concentration of poverty (See next slide for further explanation)</td>
</tr>
<tr>
<td>Special Education</td>
<td>100 percent</td>
</tr>
<tr>
<td>(Students who need exceptional levels of service will be funded separately)</td>
<td></td>
</tr>
<tr>
<td>English Language Learning</td>
<td>20 percent</td>
</tr>
<tr>
<td>K-8 Gifted and Talented</td>
<td>1 percent</td>
</tr>
<tr>
<td>High School Outcomes:</td>
<td>2 percent</td>
</tr>
<tr>
<td>AP, Dual-credit courses</td>
<td></td>
</tr>
<tr>
<td>High School Outcomes:</td>
<td>3 percent</td>
</tr>
<tr>
<td>Career Pathways Completers</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>6 – 12 percent (range is based upon density/square mile and type of transportation)</td>
</tr>
</tbody>
</table>

Source: Illinois School Funding Reform Act
Background on Low-Income Weight

- Many states use a sliding scale for low-income weights, which factors in a district’s concentration of poverty.
- Most states use Free/Reduced Lunch as a proxy for Income, while Illinois currently uses the percent of students qualifying for services from the Department of Human Services. SB16 instead calls for using 185% of poverty line as the measure. [NOTE: That equates to FRL, but mechanism may need to be adjusted as FRL becomes universal in some districts.]

<table>
<thead>
<tr>
<th>State</th>
<th>Proxy for Low-income</th>
<th>Additional Weight (above base amount)</th>
</tr>
</thead>
</table>
| Illinois (SB1) | 200% of the poverty line | Sliding scale:  
.25 for districts with less than 30 percent low-income concentration  
.75 for districts above 94 percent low-income concentration |
| California  | Free/Reduced Lunch    | .2 for low-income students in districts with less than a 55% concentration of low income students  
.7 for low-income students in districts with a 55% or greater concentration of low income students |
| Colorado    | Free/Reduced Lunch    | Sliding Scale:  
.2 for districts with a lower concentration of FRL than the state average  
.2 +.4*(District’s percent FRL-State’s average percent FRL) for districts with low-income concentrations that are greater than the state average – this weight is capped at .4 |
| New Jersey  | Free/Reduced Lunch    | Sliding scale:  
• .47 for districts with less than 20 percent low-income concentration  
• .57 for districts with 60 percent or higher low-income concentration |
### Background on ELL Weight

- Most states with ELL weights have special “combination” formulas for ELLs that are also low-income. This means that ELL weights are not purely additive, but rather, are factored into low-income weights.
- The ELL weight would be added to low-income weights under SB16, so districts would receive fully weighted resources for their low-income ELL students.

<table>
<thead>
<tr>
<th>State</th>
<th>Additional Weight (above base amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>.2 For students that are both ELL and low-income, weights will be added together. This will range from .45 to .95.</td>
</tr>
<tr>
<td>California</td>
<td>.2 for ELL students in districts with less than a 55% concentration of low income students. .7 for ELL students in districts with a 55% or greater concentration of low income students (ELLs do not qualify for an additional low-income weight, so this weight should be seen as a combination weight)</td>
</tr>
<tr>
<td>Colorado</td>
<td>Sliding Scale: .2 for districts with a lower concentration of ELLs than the state average. .2 + .8*(District’s percent FRL-State’s average percent FRL) for districts with low-income concentrations that are greater than the state average (this weight is capped at .4). Students that are both ELL and low-income receive both weights</td>
</tr>
<tr>
<td>New Jersey</td>
<td>.5 Students that are both LEP and low-income receive a combination weight of .125 + the district’s low-income concentration weight. This ranges from .6 to .7.</td>
</tr>
<tr>
<td>New Mexico</td>
<td>.5 for full time enrollment students</td>
</tr>
</tbody>
</table>
Background on Special Education Weight

- The weight for special education was based on current state expenditures on special education.
- Weights are inline with national norms, though there is reasonable conversation to be had regarding weights by special education type.
- SB1 provides special education funding for students with exceptional needs outside the weighting.
The General State Aid Supplemental Grant (Poverty Grant) targets low-income students but ignores local resources.

- The General State Aid Supplemental Grant targets low-income students, but does not consider property wealth (SB1 does)
- Design of current grant focuses dollars on schools with high concentrations of poverty, but under weights districts with 50% to 80% low-income
Mandated Categoricals

- Mandated Categoricals do not generally consider local property wealth or concentration of low-income students

- Spending on Mandated Categoricals has increased in-line with GSA, hindering equity