

An Analysis of the Governor's FY17 Budget Proposal to End Proration

Not a Solution for Inequity in Illinois' Education Funding System

Spring 2016

Overview

The Governor's 2017 budget recommends funding levels sufficient to end the practice of "prorating" state funding payments to school districts, a backdoor budget cut that for years has hit hardest the state's poorest school districts and the students they serve.

Ending proration is an important and necessary step in addressing inequity in our current funding system but does not resolve the underlying problem. For too long, Illinois has spent less to educate the students who need the most support. In fact, Illinois ranks last out of 50 states in education funding equity.¹ This means that we spend less on our poorest students than our wealthiest students, though research says the reverse should be true.²

The Governor's budget proposed adding \$50 million to the state K through 12 education budget, or roughly \$25 per student.³ While this is a step in the right direction, the current funding system does not, and cannot, target dollars where they are the most needed. Low-income students in Illinois get thousands of dollars less than non-low-income students⁴ and the governor's proposal only adds an average of \$25 per student. This will hardly make a dent in combatting inequity.

Until there is a funding system that truly takes the needs of students and the capacity of districts into consideration, Illinois' inequity will only continue to grow.

The Beginning of Proration

Illinois began "prorating" education funding in the fiscal year 2012, when federal stimulus funding for schools ended and Illinois was left with a revenue vacuum and a vulnerable economy.⁵ As a result, The Illinois State Board of Education was forced to allocate partial payments to districts through across-the-board percentage cuts, called "proration."⁶

Every education budget since 2012 has been prorated, because the legislature consistently falls short of appropriating funding that will meet the statutory requirements of the General State Aid formula.⁷ At the height of proration in 2015, school districts only received 87% of their general state education funding, costing Illinois' neediest districts over \$1,000 per student.⁸

Proration disproportionately affects high-poverty, low-resource schools, which rely more on state funding.⁹ For example, a wealthy district that can raise \$8,000 per student locally may receive \$250 per student from the state, while a district that can only raise \$1,000 per student locally may receive \$6,000 per student from the state. If ISBE uses proration to cut state funds by 10%, the wealthier district loses \$25 a student, while the poorer district loses \$600 per student. Proration hits Illinois's most vulnerable students the hardest.

In 2016, the legislature and Governor increased efforts to end proration. In line with the Governor's proposal, the legislature added \$110M to the 2016 General State Aid budget, funding 92% of district state payments.¹⁰ The legislature also created a separate \$85M grant, ensuring that no district lost more than \$228 per student due to proration.¹¹ Without this grant the neediest districts would have lost upwards of \$600 per student.¹² But even with the additional funding in 2016, Illinois' education budget was still \$318 million short of fully funding school districts.

The End of Proration

While ending proration may have been daunting in previous years, a recovering economy means it is finally within reach. Due to rising property wealth, declining attendance, and lower levels of poverty, it will be \$262 million cheaper to fully fund the General State Aid budget in 2017 than it was in the 2016.¹³

The Governor's 2017 budget proposal would end proration by shifting dollars to the General State Aid funding formula including: 1) last year's \$85M grant, 2) \$5M from other grants in the ISBE budget, and 3) \$50M in additional funding.¹⁴ Together, these funds would ensure that General State Aid would be fully funded in the 2016-17 school year. However, given that proration has ended with little additional funding it is unclear, without more data from the State Board of Education, if the neediest districts will get additional funds.

This proposal would only add an average of \$25 per student. While the end of proration is long overdue, the proposal's limited increase in funding does little to alleviate Illinois' rampant inequity.

Why Ending Proration Isn't Enough

The governor's proposal will not drive dollars where they are the most needed because it relies on an outdated funding system that uses multiple, disjointed funding streams, none of which consider both student needs and local wealth. Solving inequity in the state necessitates overhauling our school funding system so that it reflects the individual needs of students and school districts and takes into account local wealth.

Having sufficient funds to avoid proration does not resolve the deep-seeded inequities that divide students' education based upon their ZIP codes. Proration was a side-effect of a broken system, but its end is not sufficient to correct it.

1 The Education Trust, "Funding Gaps," 2015.

2 Education Law Center, "Is School Funding Fair? A National Report Card," 2015.

3 Governor's Office of Management and Budget, "Fiscal Year 2017 Proposed Budget: Operating Budget," 2016.

4 The Education Trust, "Funding Gaps," 2015.

5 Illinois State Board of Education, "FY 16 GSA Overview," 2016.

6 Ibid.

7 Ibid.

8 Ibid; Illinois State Board of Education, "GSA Calculation Variables 2015," 2015.

9 Illinois State Board of Education, "GSA Calculation Variables 2015," 2015; Advance Illinois Analysis.

10 Illinois State Board of Education, "FY 16 GSA Overview," 2016; Illinois State Board of Education, "FY 2016 Budget Request," 2016.

11 Illinois State Board of Education, "FY 16 Loss Limit Calculations," 2016.

12 Ibid.

13 Illinois State Board of Education, "FY 2017 Budget Request," 2016.

14 Ibid.