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ISSUE BRIEF

GOVERNOR RAUNER’S FY2019 GENERAL FUND BUDGET PROPOSAL IS A MAJOR SETBACK FOR PUBLIC EDUCATION

FEBRUARY 15, 2018

1. Summary.

Yesterday, Governor Rauner proposed a \$37.6 billion General Fund Budget for FY2019 (the “**FY2019 Budget Proposal**”). While it will take some time to complete a detailed analysis of the FY2019 Budget Proposal, one problematic element of the Governor’s budget proposal is already clear:

THE GOVERNOR’S FY2019 BUDGET PROPOSAL REPRESENTS A SIGNIFICANT STEP BACKWARDS FOR K-12 EDUCATION FUNDING. INDEED, AFTER ADJUSTING FOR INFLATION AND HIS PENSION COST SHIFT INITIATIVE, SCHOOLS STATEWIDE COULD END UP HAVING OVER ONE-HALF BILLION DOLLARS LESS TO SPEND ON EDUCATING CHILDREN IN FY2019 THAN IN FY2018.

2. The Governor’s FY2019 Budget Proposal Would Materially Cut Funding for K-12 Education from FY2018 Levels—And Frustrate the Core Purpose of the Historic School Funding Reform Legislation Passed Last Year.

During his budget address, the Governor claimed to be a strong advocate of investing in K-12 education. He also maintained that he supported the historic school funding reform legislation, known as the “Evidence-Based Funding for Student Success Act” (the “**EBM**”), that passed into law last year.¹ The EBM ties the dollar amount taxpayers invest in schools to those educational practices which the research shows enhance student achievement over time. By doing so, the EBM creates a rational, evidenced-based approach to building the capacity of all schools statewide to meet the educational needs of the students they serve.

After running the numbers, the Illinois State Board of Education (**ISBE**) noted that currently, K-12 education funding statewide is some \$7 billion short of what the evidence indicates is needed for all schools to implement these evidence-based practices that lead to student achievement. Hence, the Governor’s stated desire to invest more in schools is both rational and necessary to build the capacity of the state’s K-12 education system based on what the research indicates works.

Unfortunately, if the Governor’s FY2019 Budget Proposal were to become law, it would actually frustrate the core purpose of the EBM, by decreasing the total state and local resources available to fund education from FY2018 levels. To understand how requires a quick review of the FY2019 Budget Proposal appropriations for K-12 education.

As shown in Figure 1, under the Governor’s FY2019 Budget Proposal, in nominal, non-inflation adjusted dollars, the state would invest \$98.1 million more in K-12 than it did in FY2018.² That is not likely to provide resources sufficient for schools to move the needle forward on implementing evidence-based practices, given that it represents only 1.4% of the state’s shortfall in funding an adequate education identified by ISBE.

FIGURE 1
Impact of Governor’s FY2019 K-12 Funding—Nominal Dollars (\$ in Millions)

TOTAL K-12 FUNDING	FY2018 ENACTED	FY2019 PROPOSED	NET CHANGE
	\$7,760.3	\$7,858.4	\$98.1

Source: CTBA analysis of Illinois State Budget, Fiscal Year 2019 (Proposed)

Indeed, that year-to-year nominal dollar increase is so small that it does not even keep pace with inflation, using the Consumer Price Index (CPI).³ As shown in Figure 2, after adjusting for inflation using CPI, K-12 funding in FY2019 would have to be increased by \$155.2 million, just to stay even with the FY2018 funding levels in real terms. Of course this means in real, inflation-adjusted terms, the Governor is proposing that funding from the state for K-12 should actually be cut by **\$57.1 million** from FY2018 levels. Note this likely understates the real, year-to-year cut in funding for education, because the inflation metric used is the CPI. Since most educational costs are tied to salaries, the Employment Cost Index, or ECI, would provide a more accurate measurement of real change, and the ECI generally increases at a greater rate annually than does the CPI.

FIGURE 2
Impact of Governor’s FY2019 K-12 Funding—Inflation Adjusted Dollars (\$ in Millions)

TOTAL K-12 FUNDING	FY2018 NOMINAL	FY2018 ADJ for INFLATION	FY2019 PROPOSED	NET CHANGE
	\$7,760.3	\$7,915.5	\$7,858.4	(-\$57.1)

Source: CTBA analysis of Illinois State Budget, Fiscal Year 2019 (Proposed); Inflation adjustment using CPI from BLS

In any event, regardless of the inflation metric used, it is hard to justify a real cut in K-12 funding when ISBE’s analysis of the EBM shows that current funding levels are billions short of what the research indicates is needed.

And while adjusting for inflation reveals that the Governor’s proposed K-12 funding level for FY2019 actually represents a step backward for education—it does not reveal how significantly his FY2019 Budget Proposal could decrease total state and local funding available for educating students from FY2018 levels. That is because under his FY2019 Budget Proposal, the Governor would like to shift the obligation for paying 25% of the normal costs associated with pensions for teachers under the Teachers Retirement System that the state currently pays, to local school districts. The Governor estimates this will result in \$262 million of pension costs being paid by local school districts. He also proposes to shift 100% of the normal pension costs associated with the Chicago Teachers Pension Fund the state paid in FY2018—estimated to be some \$228 million in FY2019—to the Chicago Public Schools (CPS). Obviously, if these pension cost-shifts were to become law, school districts would be forced to divert local property taxes that they were using to educate students, to instead cover these new pension cost obligations.

Figure 3 shows that after accounting for the Governor’s proposal to shift education-related pension costs from the state to local schools, statewide schools could have **\$547.1 million** less to spend on educating children in FY2019 than in FY2018. Obviously, that would be a tremendous step backward in the fiscal commitment to students—and would frustrate the core purpose of the EBM which is to build the capacity of Illinois’ K-12 education system to implement the research-based practices needed to promote student achievement.

FIGURE 3**Impact of Pension Cost Shift from State to Local Schools on K-12 Funding (\$ in Millions)**

Net K-12 state level funding change from FY2018 Enacted to FY2019 Proposed, after inflation	(-\$57.1)
Statewide charge to local school districts of 25% TRS pension cost shift—to be covered by local property taxes that were used to fund the classroom in FY2018	(-\$262.0)
Cost to CPS in local property taxes formerly used for the classroom of 100% pension cost shift	(-\$228.0)
Total reduction in year-to-year state and local funding for K12 education services from FY2018 Enacted to FY2019 Proposed	(-\$547.1)

Source: CTBA analysis of Illinois State Budget, Fiscal Year 2019 (Proposed) Executive Summary; Inflation adjustment using CPI from BLS

Interestingly, the primary way local school districts could reduce the education spending cuts that would otherwise be forced upon them by the Governor’s FY2019 Budget Proposal would be to increase local property taxes. Which is ironic for a couple of reasons. First, there’s the Governor’s frequently stated desire to freeze or reduce property tax burden in Illinois. Shifting \$490 million in pension costs from the state to local property taxes is an odd way to accomplish that goal. Second, Illinois is already the most reliant state in America on local property taxes to fund education.⁴ Indeed that overreliance on property taxes is the primary reason Illinois’ former school funding system consistently ranked as one of the most inequitable nationally—and provided much of the impetus for the bipartisan support of replacing Illinois’ former school funding formula with the EBM.

FOR MORE INFORMATION:

Ralph M. Martire,
Executive Director
(312) 332-1049
rmartire@ctbaonline.org

Bobby Otter,
Budget Director
(312) 332-2151
botter@ctbaonline.org

Daniel Hertz,
Research Director
(312) 332-1481
dhertz@ctbaonline.org

Gaby Roman
Research Associate
(312) 332-1348
groman@ctbaonline.org

ENDNOTES

¹ P.A. 100-0465

² CTBA analysis of Illinois State Budget, Fiscal Year 2019 (Proposed), Operating Budget Detail (excel file).
<https://www2.illinois.gov/sites/budget/Pages/default.aspx>

³ CTBA analysis of Bureau of Labor Statistics, Consumer Price Index, Historical CPI-U.
<https://www.bls.gov/cpi/tables/supplemental-files/home.htm>

⁴ CTBA analysis of U.S. Department of Education, National Center on Education Statistics, 2016. “Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2013-2014 (Fiscal Year 2014)”