MOVING FORWARD:

ILLINOIS’ EVIDENCE BASED SCHOOL FUNDING FORMULA CAN REVERSE DECADES OF INEQUITY CREATED BY THE FOUNDATION FORMULA IT REPLACED

October 10, 2018
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How Illinois’ Evidence Based School Funding Formula Can Reverse Decades of Inequity
Created by the Foundation Formula It Replaced

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ACKNOWLEDGEMENTS

The Center for Tax and Budget Accountability would like to thank the following individual for their time, knowledge and expertise in reviewing this report:

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ABOUT CTBA

Founded in 2000, the Center for Tax and Budget Accountability is a non-profit, bi-partisan research and advocacy think tank committed to ensuring that tax, spending and economic policies are fair and just, and promote opportunities for everyone, regardless of economic or social status.

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1. INTRODUCTION

Thursday, August 31, 2017, marked a historic moment for the state of Illinois. On that day, despite his previous opposition, Governor Bruce Rauner signed Public Act (P.A.) 100-0465—The Evidence Based Funding for Student Success Act (EBF) — into law. The EBF replaced Illinois’ long-standing Foundation Formula approach to school funding with a new “evidence-based formula.” The EBF represents the best practice in school funding for one simple reason: it ties the dollar amount taxpayers invest in schools to those educational practices which the research shows actually enhance student achievement over time.1

This represents a radical departure from the state’s old “Foundation Formula,” which was not tied to any actual educational costs, but rather set an arbitrary level of per-pupil funding based on what the state could afford. Given Illinois’ poor fiscal condition — the state is running a deficit in its General Fund which is projected to reach nearly $10 billion by the end of the current fiscal year — it is not surprising that the state’s old Foundation Formula resulted in an inadequate level of K-12 funding statewide. The shortcomings in educational quality generated by inadequate funding levels under the prior Foundation Formula disproportionately impacted low- and middle-income students generally and “at-risk” students specifically. “At-risk” is a term meaning students at risk of academic failure. Typically, students who are low-income, English learners, or have special needs are considered to be at-risk.2 Under the former Foundation Formula, districts with large concentrations of students who are “at risk” because they are low-income often received the lowest amount of state and local resources per pupil.3 Given the concentration of minority students in low-income communities, the inequities created under the old Foundation Formula had a clear racial and ethnic component as well.4

The good news is, with the EBF, Illinois now has a funding system in place with the potential to ensure every school throughout the state has the capacity to meet the educational and social-emotional needs of all children it serves — rich or poor, white or minority, special needs or not. The bad news is, according to the Illinois State Board of Education (ISBE) at the beginning of FY2018, funding for K-12 was $7.37 billion short of what the EBF indicates was needed to reach that capacity.5 Following is an analysis of how the old Foundation Formula fell short and how the new evidence-based formula can be expected to resolve funding inequities and close achievement gaps – once it’s fully funded.

2. KEY FINDINGS

- The Foundation Formula approach to school funding was fundamentally flawed in three ways:
  - First, it was not tied to any actual costs of educating children. This was problematic because it divorced school funding from educational needs.
  - Second, it was based primarily on what decision makers felt the state could afford. Given the significant, ongoing deficits in the Illinois General Fund — currently estimated to reach almost $10 billion by the end of FY2019 — the Foundation Level was consistently set at an artificially low amount.
  - Third, the Foundation Level was held constant at $6,119 per pupil over the FY2010-FY2017 sequence. Hence by FY2017 it had lost $739 or 10.7 percent of its per-pupil value after adjusting for inflation. Making things worse, the state failed to fund the full Foundation Level from FY2012 to FY2016, thereby exacerbating the inadequacy of funding it provided to school districts.
- One key reason school funding was both inadequate and inequitable under the prior Foundation Formula was the consistent failure of decision makers to invest adequate state-level resources into K-12 education. Indeed, according to the most recent data available, 67 percent of education funding in Illinois comes from local tax revenue (the national average is 45 percent). Meanwhile, only 24.9 percent of K-12 funding in Illinois is from state-based revenue (the national average is 46.5 percent). This makes Illinois an outlier.
nationally, ranking first in the portion of K-12 funding paid by local taxes and 50th in the portion paid by the state.6
  o That extreme overreliance on local tax revenue to fund schools under the old Foundation Formula effectively tied the quality of education a student received to the property wealth of the community in which the student lived. This is the primary reason Illinois had, by far, the most inequitable education funding system in America by income as of 2015, according to the Education Trust7.
- Under the old Foundation Formula, school districts were sorted into three categories based on local wealth:
  o The wealthiest were designated “Flat Grant” districts, which had the local capacity to cover 175 percent or more of the Foundation Level, and educated 4.7 percent of total statewide student enrollment;
  o The second wealthiest were designated “Alternate Grant” districts, which had the local capacity to cover between 93 and 175 percent of the Foundation Level, and educated 21.8 percent of total state enrollment; and
  o The least wealthy were designated “Foundation Formula” districts, which had the local capacity to fund zero to 93 percent of the Foundation Level, and educated fully 73.5 percent of total state enrollment.
- Despite having lower tax rates than Foundation Formula districts, Flat Grant school districts generated more revenue per pupil through local property taxes alone than Foundation Formula districts did from all federal, state, and local sources combined.
- Under Illinois’ old Foundation Formula, districts serving student populations with a concentration of low-income students of 75 percent or more, had on average $4,368 less revenue per pupil than districts with a concentration of low-income students of less than 10 percent. This is contrary to the research, which shows that low-income students need greater levels of investment than their non-low income peers to achieve academically.8
- The inequitable distribution of resources under Illinois’ prior Foundation Formula correlates with inequitable student achievement by income and by race. For instance:
  o Predominantly white districts and districts with the lowest low-income concentrations – which also happen to have significantly greater local resources per student on average than do predominantly minority districts or districts with high concentrations of poverty – had the highest PARCC and NAEP test scores in all grade levels and subject areas.
  o The difference in graduation rates between districts serving the lowest percentage of low-income students and those with the most poverty was over 15 percentage points.
  o Meanwhile, less than 1 percent of all black public school students in Illinois attend a school district where less than 10 percent of the total student population is low-income. On the other hand, nearly 60 percent of black students attend districts with a concentration of low-income students of 75 percent or more, a rate that is nearly ten times greater than the 6.53 percent of white students attending such schools.
  o Over 82 percent of all Illinois public school students who attend schools in the districts with the highest concentration of low-income students are black or Latino. On the other hand, in school districts where less than 10 percent of all students are low income, only 9.6 percent are black or Latino.
- A school district’s “Adequacy Target” under the EBF is the amount of funding the evidence indicates that district needs to implement the research-based practices that enhance academic achievement for the students it serves. ISBE found that as of FY2018, the aggregate level of K-12 education funding in Illinois was some $7.37 billion less than what the evidence indicated was needed to fund the Adequacy Target for every school district.9
- One legacy of the State’s prior Foundation Formula: of the 853 school districts in Illinois, only 146, or 17 percent, had a resource capacity at or above their respective Adequacy Targets as of FY2018. That of course means that the vast majority – 707 districts or almost 83 percent – have less resources than what the evidence indicates is needed to educate the students they serve.
• In FY2018, the first year the EBF was implemented, Tier 1 districts — those furthest from adequacy — were on average spending over $5,000 less than their respective Adequacy Targets per pupil (prior to receiving EBF Tier funding for the year). By contrast, Tier 4 schools — those which already have the resources to meet their Adequacy Targets — were on average spending about $3,000 more than their respective Adequacy Targets per pupil.

• The average difference between actual educational spending and the Adequacy Target level of spending, or “Adequacy Gap,” for white students is significantly less in Illinois than the average per student Adequacy Gap per black or Latino student. For instance, after taking out the districts that are spending at or above their respective Adequacy Targets, the average Adequacy Gap faced by students in schools spending less than their respective Adequacy Targets was:
  o $3,309.57 per pupil for white students;
  o $4,656.28 per pupil for black students; and
  o $4,873.87 per pupil for Latino students.

• Hence, the average per-pupil Adequacy Gap for black students attending schools in districts spending below their Adequacy Targets is $1,347, or 41 percent, worse than the average per-pupil Adequacy Gap for white students attending schools in such districts, while the per-pupil Adequacy Gap for Latino students was $1,564, or 47 percent, worse than for white students.\(^{10}\)

• Under the old Foundation Formula, those school districts in communities that did not have the local resources to fund an adequate education had, on average, thousands of dollars less in per-pupil funding, significantly lower test scores, and lower graduation rates. These districts included the vast majority of high-poverty, Foundation Formula districts, which also served relatively larger populations of students who are black, Latino, or English learners, rendering the old Foundation Formula system in Illinois structurally racist in application.

• The distribution of resources under the EBF effectively counters Illinois’ ignoble tradition of inequitably funding public education by focusing the vast majority of new K-12 funding on those districts furthest from their Adequacy Targets.
  o For illustration, in the 2017-2018 school year, a total of $366 million in new money was distributed under the EBF to districts across Illinois. Tier 1 districts — those furthest away from adequacy — received $326 million of the $366 million, or 89.1 percent.\(^{11}\)
  o Meanwhile, fully $228.7 million, or 63 percent, of the $366 million in new K-12 funding distributed under the EBF in FY2018 went to school districts serving student populations that were 59 to 100 percent low income, while $320.5 million, or 87.6 percent, went to districts with a low income concentration of 40 percent or more.
  o $278.5 million – or 76 percent – of the $366 million in new K-12 funding distributed through the EBF in FY2018 went to school districts which collectively are responsible for educating 84.1 percent of all black students, and 75 percent of all Latino students in Illinois.

3. HOW THE OLD FOUNDATION FORMULA FELL SHORT

3.1 Inadequate Basis for the “Foundation Level”

The starting point for Illinois’ old school funding formula was called the “Foundation Level.” The Foundation Level, which represented a minimum per-student funding amount, was set by law each year,\(^{12}\) and was funded through a combination of state and local resources. It was intended to cover the basic costs of educating a non-at-risk child — that is, a child who is not low income, not an English learner, and does not have special needs. The Foundation Level was one of two components which previously made up General State Aid (GSA). The other was the Supplemental Low-Income Grant, which was intended to provide more per-student funding to districts with greater concentrations of low-income students.\(^{13}\) The Supplemental Low-Income Grant amount was based on
the percentage of children in each district who were “low-income” as defined by law, and ranged from $355 per student for districts with 15 percent or fewer of their pupils qualifying as low-income, to a high of $2,994 per student for districts where 100 percent of students were low income.\textsuperscript{14}

The last Foundation Level approved under the old formula was for FY2017, and was set at $6,119 per pupil.\textsuperscript{15} This was the same dollar amount it was in FY2010.\textsuperscript{16} Illinois held the Foundation Level flat—with no adjustments even for inflation—for eight straight years. That means that, after adjusting for inflation, the Foundation Level in FY2017 had lost $739 or 10.7 percent of its value since it was first set at $6,119 per pupil in 2010.\textsuperscript{17}

To make matters worse, from FY2012 to FY2016, the General Assembly and Governor did not even fully fund the $6,119 per pupil Foundation Level.\textsuperscript{18} This under-funding, known as “proration”, meant that school districts were taking a double-hit in loss of state level funding—once from inflation, and then again in actual cuts. As illustrated in Figure 1, the prorated value of per pupil funding districts actually received over the FY2012-FY2016 sequence, varied from 87 to 95 percent of the $6,119 Foundation Level. In FY2017, the General Assembly fully funded the Foundation Level set by law for the first time in five years. It should be noted that, the state’s disinvestment in K-12 education is actually worse than it appears in Figure 1, because all dollar amounts depicted in Figure 1 are nominal, meaning they have not been adjusted for inflation.

![General Assembly Passed Foundation Level vs Actual Foundation Level (Prorated), FY2009 – FY2017](source: ISBE, General State Aid Historical FY2008-FY2017, October 2016)

Figure 1 makes it clear that, despite not even increasing the Foundation Level to keep pace with inflation over an eight year sequence, state decision makers still struggled to fund it fully. That fact notwithstanding, of greater concern from an educational standpoint is that even when fully funded, the Foundation Level as set by law was never sufficient to fund K-12 public schools adequately. For proof, look no further than the funding recommendations made by the nonpartisan Education Funding Advisory Board (EFAB) first established during Governor Edgar’s Administration. EFAB was charged with recommending a Foundation Level of per-pupil funding sufficient to provide an “adequate” education to students. The standard EFAB chose to determine what constituted an “adequate” level of K-12 funding was the cost per student of providing an education of sufficient quality so that taxpayers can expect two-thirds of Illinois’ “non-at-risk” students to pass the state’s standardized tests\textsuperscript{19}.

The aforementioned standard EFAB used created an artificially low target for K-12 funding for two reasons. First and foremost, the EFAB standard did not consider the cost of educating “at-risk” children (namely students who
are low-income, English language learners, or have special needs). Because of this, the Foundation Level EFAB recommended was significantly lower than what would be needed to educate a large portion of students in Illinois. In fact, over half – 50.2 percent – of all children who attend public school in Illinois today are low-income, placing them in the “at-risk” category not considered by EFAB. Given that the research shows more funding is necessary to meet the educational needs of a student who is “at-risk” than one who isn’t, not including “at-risk” students in its adequacy calculation ensured that the per-pupil funding level EFAB recommended would be less than what was actually needed.

Second, the EFAB recommendation was based on funding an education of sufficient quality to get only two-thirds of the non-at-risk students – i.e. students with a reasonable likelihood of academic success – to pass Illinois’ state standardized tests. That low-level of proficiency in student achievement is not only significantly beneath expectations of the general public, but also well below the thresholds ISBE has established. The bottom line is that the target level of per-pupil funding EFAB recommended was always significantly lower than what would be needed to fund K-12 adequately.

Despite that, Illinois’ actual Foundation Level of funding was consistently and materially less than the EFAB recommendation every year over the past decade, as shown in Figure 2. For FY2017, the last year the old Foundation Formula was in place, the EFAB recommendation of $9,032 per pupil was $2,913 greater than the enacted Foundation Level of $6,119.

![Figure 2](image)

Dollar Shortfall in State Per-Pupil K-12 Education Funding to Meet EFAB Adequate Education Standard by Fiscal Year, 2002 - 2017

Sources: CTBA analysis of Education Funding Advisory Board, “Illinois Education Funding Recommendations.”

So, even before the passage of the Evidence Based Formula, state data consistently indicated that K-12 funding levels in Illinois were inadequate.

3.2 Because Illinois Over-Relied on Property Taxes to Fund the Old Foundation Formula, Districts with Large, At-Risk Student Populations Were the Least-Adequately Funded

In large part because the state has historically underfunded K-12 education from state-based resources, a significant portion of the cost of public education in Illinois ended up being borne by local property taxes. In fact, the state’s overreliance on local property taxes to fund education is so material that Illinois is a national outlier among all 50 states in the portion of K-12 funding covered by local versus state tax revenues. Consider that the average state splits the share of education funding relatively evenly between local sources and state sources, as
shown in Figure 3. However, in Illinois, just over one-quarter of education funding comes from the state, while two-thirds comes from local sources, mainly local property taxes, also as shown in Figure 3.

**Figure 3**

Local and State Share of Education Funding Spending, FY2015

<table>
<thead>
<tr>
<th>Local % Share</th>
<th>State % Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>45.02%</td>
<td>46.50%</td>
</tr>
<tr>
<td>46.85%</td>
<td>24.86%</td>
</tr>
</tbody>
</table>


Illinois’ chronic underfunding of K-12 has negatively impacted the quality of education delivered to most public K-12 students statewide, but has been particularly harmful for districts with large at-risk student populations. This is because, unlike wealthier districts which do not rely on the state for significant K-12 funding, most districts with a high proportion of low-income students lack the local property tax resources to make up for the underfunding of GSA from state based resources. That lack of resources compelled most high-poverty, largely minority districts to lower educational quality because they simply didn’t have the financial capacity to implement evidence-based educational best practices.

The net result: the state’s former Foundation Formula created a system of public finance that supported a high quality public education almost exclusively in areas with high property values, which not surprisingly served predominantly high-income children. Indeed, as shown in Figure 4, under the state’s old Foundation Formula, as the number of low-income students increased in a district, per-pupil funding fell. So much so, that Illinois had one of the most regressive funding systems in the country.

**Figure 4**

Funding Distribution Relative to Student Poverty (2015)

3.3 Inequitable Resource Distribution under the Old Foundation Formula

Illinois’ old Foundation Formula provided different levels of state funding to a district depending upon which of the following three categories that district fell into, based on its local property wealth available to fund education:

i. **Flat Grant Districts** – which had local resources sufficient to generate 175 percent or more of the Foundation Level – received $218 per student.\(^\text{23}\)

ii. **Alternate Formula Districts** – which were able to fund between 93 and 175 percent of the Foundation Level with local resources – received between $306 and $428 per student.\(^\text{24}\)

iii. **Foundation Formula Districts** – which could fund less than 93 percent of the Foundation Level with local resources – received the highest grants per student under the old formula, which varied in amount based on numerous factors.

Because Illinois does a poor job funding K-12 education with state-based resources, and because their local property values tend to be low, most school districts in less affluent communities are forced to impose very high property tax rates on local families. As shown in Figure 5, Foundation Formula districts had higher tax rates than their wealthier peers in Alternate Method districts and Flat Grant districts.

![Figure 5: Tax Rate per $100 by District Funding Type](source)

Yet, despite imposing high property tax rates, low- and middle-income Foundation Formula districts were not able to raise local resources to the level needed to provide an adequate education, primarily because of their relative lack of property wealth. As shown in Figure 6, the available Equalized Assessed Value (EAV) of property was 4.2 times greater in Flat Grant districts than in Foundation Formula districts.

![Figure 6: EAV per Pupil by District Funding Type](source)
Conversely, despite having lower property tax rates, the more affluent Flat Grant and Alternate Method districts were able to generate significantly more revenue per student than low- and middle-income Foundation Formula districts. This inequity is the logical result of Illinois’ overreliance on property taxes to fund education. So it should be no surprise that during the 2016-2017 school year, Flat Grant districts, which by definition had sufficient local resources to cover 175 percent or more of the Foundation Level, on average spent $6,500 more per student than did Foundation Formula districts, as shown in Figure 7. In fact, Flat Grant districts generated more revenue per pupil through local property taxes alone than Foundation Formula districts realized from all federal, state, and local revenues combined. In short, under Illinois’ old Foundation Formula, districts with the greatest need received the least amount of funding.

![Figure 7](image)

**Figure 7**
District Funding per Pupil by Source

And while it is true that “equitable” school funding does not mean “equal” funding, Figure 8 helps highlight how inequitable the distribution of education funding in Illinois had become under the old Foundation Formula for one simple reason: all the research shows that those districts which serve a greater percentage of low-income students and/or English learners require more in per-pupil funding to meet the educational needs of their student populations than do districts with a lesser percentage. As might be expected, however, Flat Grant and Alternate Method districts – which had the greatest local and total resources under the former Foundation Formula – had far lower concentrations of low-income students than did Foundation Formula districts. As shown in Figure 8, more than 57 percent of students who attended schools in Foundation Formula districts were low-income, which is almost double the low-income concentration in Alternate Method districts, and more than double that in Flat Grant districts.

![Figure 8](image)

**Figure 8**
Student Demographics by Funding Type, 2017

<table>
<thead>
<tr>
<th>District Funding Type</th>
<th>% Low Income Students</th>
<th>% ELL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation Formula</td>
<td>57.77%</td>
<td>10.96%</td>
</tr>
<tr>
<td>Alternate Method</td>
<td>30.25%</td>
<td>10.07%</td>
</tr>
<tr>
<td>Flat Grant</td>
<td>23.75%</td>
<td>9.88%</td>
</tr>
</tbody>
</table>

Source: CTBA analysis of ISBE 2016-2017 Report Card Data
The state’s highly regressive distribution of education funding under the old Foundation Formula disadvantaged most public school children in Illinois, given that the majority of Illinois students attend schools in districts with a high concentration of low-income students. In fact, as illustrated in Figure 9, less than 5 percent of students attended schools in districts where the concentration of low-income students was less than 10 percent, while over half attended school districts where the majority of students were low-income.

![Figure 9](image)

**Enrollment by District Low-Income Percentage**

<table>
<thead>
<tr>
<th>District Low-Income %</th>
<th>% of Total State Enrollment</th>
<th>Total Enrollment by Low Income Concentration</th>
<th># of Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10% Low-Income</td>
<td>4.58%</td>
<td>92,111</td>
<td>47</td>
</tr>
<tr>
<td>10-25% Low-Income</td>
<td>19.55%</td>
<td>392,827</td>
<td>144</td>
</tr>
<tr>
<td>25-50% Low-Income</td>
<td>24.35%</td>
<td>489,476</td>
<td>357</td>
</tr>
<tr>
<td>50-75% Low-Income</td>
<td>24.97%</td>
<td>501,876</td>
<td>224</td>
</tr>
<tr>
<td>&gt;75% Low-Income</td>
<td>26.55%</td>
<td>533,540</td>
<td>78</td>
</tr>
</tbody>
</table>

Source: CTBA analysis of ISBE 2016-2017 Report Card Data

**Figure 10** illustrates the regressive K-12 funding trend by low income concentration under the state’s prior Foundation Formula. Districts serving the lowest concentration of low-income students on average had $4,368 more revenue per pupil than did districts with a low-income concentration of 75 percent or more. In fact, districts serving the lowest concentration of low-income students not only had the most per-pupil funding, but raised more revenue per pupil through local property taxes alone than all other districts were able to raise from all federal, state, and local sources in total.

![Figure 10](image)

**Funding per Pupil by Source and by District Low-Income Concentration**

Source: CTBA analysis of ISBE 2016-2017 Report Card Data
Interestingly, the largest average gap in funding by low-income concentration was not between those districts with the highest and lowest concentrations. The gap between districts serving less than 10 percent low-income students and those serving low-income populations between 50 and 75 percent was greater, at $5,353 per pupil. There are two reasons districts with the largest percentage of low-income students had more funding than districts with a low-income concentration between 50 and 75 percent. First, K-12 funding from the federal government increases as the concentration of low-income students increases.25 Second, the Low-Income Grant provided under Illinois’ prior Foundation Formula also increased as low-income student concentration increased.26

4. HOW ILLINOIS’ FORMER SCHOOL FUNDING SYSTEM CONTRIBUTED TO INEQUITABLE STUDENT OUTCOMES

4.1 Inequitable Resource Distribution by Income Correlates with Inequitable Student Achievement by Income in Illinois

The data clearly show that Illinois’ prior education funding formula led to an inequitable distribution of resources. The data also show that this inequity in resources correlates strongly with inequitable student outcomes, at least as measured by performance on standardized tests.

First, consider student performance under Illinois’ current state standardized test: the Partnership for Assessment of Readiness for College and Careers (PARCC) exam. Though this exam is relatively new, still undergoing changes, and has been discontinued for high-school, it is presently the only large-scale assessment that satisfies all federal accountability requirements in Illinois,27 and hence is the standardized test sanctioned by ISBE. As shown in Figure 11, student test scores by district on the 2017 PARCC exam declined as the concentration of low-income students served increased. This trend held true regardless of subject matter, showing that singling out low-income students for lesser educational investment correlates with overall lower academic performance.

![Figure 11](image-url)

Percentage of Students Meeting or Exceeding PARCC, by District Low-Income Concentration

<table>
<thead>
<tr>
<th>Low-Income Concentration</th>
<th>3rd Grade English</th>
<th>3rd Grade Math</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10% Low Income</td>
<td>61.2%</td>
<td>66.7%</td>
</tr>
<tr>
<td>10-25% Low Income</td>
<td>52.8%</td>
<td>58.3%</td>
</tr>
<tr>
<td>25-50% Low Income</td>
<td>40.6%</td>
<td>43.8%</td>
</tr>
<tr>
<td>50-75% Low Income</td>
<td>26.0%</td>
<td>30.4%</td>
</tr>
<tr>
<td>&gt;75% Low Income</td>
<td>28.2%</td>
<td>28.1%</td>
</tr>
</tbody>
</table>
While it is true that the efficacy of the PARCC exam has been brought into question, the inequitable student outcome trends it reveals are similar to those of the far more respected National Assessment of Educational Progress (NAEP) exams, when using school lunch eligibility as a proxy for low-income status, as shown in Figure 12.

**Figure 12**

Percentage of Students Scoring at or Above Proficiency on NAEP 2017, by School Lunch Eligibility
These data reinforce the correlation between inequitable resource distribution by income and inequitable student achievement by income in Illinois. Similarly, as a district’s concentration of low-income students increases, graduation rates decline. Figure 13 shows that the difference in 2017 graduation rates between districts serving the lowest percentage of low-income students and those with the most poverty was over 15 percentage points.

**Figure 13**
Percentage of Students Graduating High School, by Low-Income

Not only do districts with large low income populations tend to serve a larger proportion of black and Latino students, but also a large proportion of all black and Latino students attend school districts with high

<table>
<thead>
<tr>
<th>Demographic</th>
<th>White</th>
<th>Black</th>
<th>Latino</th>
<th>Asian</th>
<th>Two or More Races</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10% Low-Income</td>
<td>77.24%</td>
<td>2.25%</td>
<td>7.35%</td>
<td>9.63%</td>
<td>3.25%</td>
<td>100%</td>
</tr>
<tr>
<td>10-25% Low-Income</td>
<td>69.45%</td>
<td>6.18%</td>
<td>12.15%</td>
<td>8.12%</td>
<td>3.78%</td>
<td>100%</td>
</tr>
<tr>
<td>25-50% Low-Income</td>
<td>67.79%</td>
<td>6.75%</td>
<td>16.38%</td>
<td>5.25%</td>
<td>3.48%</td>
<td>100%</td>
</tr>
<tr>
<td>50-75% Low-Income</td>
<td>46.82%</td>
<td>17.11%</td>
<td>27.89%</td>
<td>3.10%</td>
<td>4.65%</td>
<td>100%</td>
</tr>
<tr>
<td>&gt;75% Low-Income</td>
<td>11.93%</td>
<td>36.50%</td>
<td>45.51%</td>
<td>2.99%</td>
<td>2.02%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: CTBA analysis of ISBE 2016-2017 Report Card Data

4.2 Inequity in Resource Distribution in Illinois Also Correlates to Inequitable Student Outcomes by Race and Ethnicity

There is a clear, racial dimension to the correlation between inequitable resource distribution and inequitable student outcomes under Illinois’ prior school funding system. In part, this is because the data show that the districts with the highest concentrations of poverty in Illinois are more likely to serve a greater percentage of minority students. As shown in Figure 14, over 82 percent of all Illinois public school students who attended schools in the districts with the highest concentration of low-income students were black or Latino. Meanwhile, in school districts where less than 10 percent of all students were low income, only 2.25 percent were black and 7.35 percent were Latino.

**Figure 14**
Race/Ethnicity Breakdown by Low Income Concentration

Source: CTBA analysis of ISBE 2016-2017 Report Card Data
concentrations of low income students. As shown in Figure 15, in the 2016-2017 school year, less than 1 percent of all black public school students in Illinois attended a school district where less than 10 percent of the total student population was low-income. Meanwhile, nearly 60 percent of black students attended a district with the highest concentration of poverty, a rate that was nearly ten times greater than the 6.53 percent of white students who attended such schools.

Figure 15
Low Income Concentration by Race/Ethnicity

<table>
<thead>
<tr>
<th>Demographic</th>
<th>White</th>
<th>Black</th>
<th>Latino</th>
<th>Asian</th>
<th>Two or More Races</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10% Low-Income</td>
<td>7.37%</td>
<td>0.61%</td>
<td>1.32%</td>
<td>9.13%</td>
<td>4.38%</td>
</tr>
<tr>
<td>10-25% Low-Income</td>
<td>28.00%</td>
<td>7.14%</td>
<td>9.22%</td>
<td>32.55%</td>
<td>21.52%</td>
</tr>
<tr>
<td>25-50% Low-Income</td>
<td>33.99%</td>
<td>9.70%</td>
<td>15.47%</td>
<td>26.17%</td>
<td>24.66%</td>
</tr>
<tr>
<td>50-75% Low-Income</td>
<td>24.11%</td>
<td>25.26%</td>
<td>27.06%</td>
<td>15.88%</td>
<td>33.81%</td>
</tr>
<tr>
<td>&gt;75% Low-Income</td>
<td>6.53%</td>
<td>57.29%</td>
<td>46.93%</td>
<td>16.27%</td>
<td>15.63%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: CTBA analysis of ISBE 2016-2017 Report Card Data

Illinois’ historic overreliance on local property taxes to fund education had a disproportionately negative impact on school districts that have high concentrations of minority students, as shown in Figure 16. In fact, districts with a supermajority – 75 percent or more – of Latino students had just 38.8 percent of the EAV per pupil of districts where more than 75 percent of students were white, while such supermajority black districts had only 53.3 percent of the EAV per student of their white peers.

Figure 16
EAV per Pupil, by Race/Ethnicity

As might be expected, academic performance as measured by standardized test scores also varied with the inequitable distribution of resources by race and ethnicity that pertained under the old school funding formula. Figure 17 shows that, although majority black districts outperform majority Latino districts in certain grades and subject areas and vice versa, two facts are consistently true:
(i) Predominantly-white districts—which also happen to have significantly greater local resources per student than do predominantly-minority schools—tested the highest in all grade levels and subject areas; and

(ii) Districts that were predominantly a mix of racial and ethnic minorities—like Chicago Public Schools (CPS)—consistently outperformed districts that were either predominantly just black or just Latino.

**Figure 17**

Percentage of Students Meeting or Exceeding PARCC by District Racial/Ethnic Majority

Source: CTBA analysis of ISBE 2016-2017 Assessment Data
Again, though the efficacy of the PARCC exam is questionable, the trends in inequitable student outcomes by race and ethnicity were replicated in the far more respected NAEP exams, as shown in Figure 18.

**Figure 18**
Percentage of IL Grade 4 Students Scoring at or Above Proficiency on NAEP 2017, by Race/Ethnicity

![Bar chart showing the percentage of Grade 4 students scoring at or above proficiency in reading and math by race/ethnicity on NAEP 2017.]

Source: CTBA Analysis of NAEP Data Explorer, 2017 Report Card data

Black and Latino students also have the lowest four-year high school graduation rates in Illinois. As shown in Figure 19, the differences between the 2017 white graduation rate and the Latino and black graduation rates were 7.39 percent and 12.12 percent respectively.

**Figure 19**
Percentage of Students who Graduated High School in Four Years, by Race/Ethnicity

![Bar chart showing the percentage of students who graduated high school in four years by race/ethnicity for grades 8 and 10.]

Source: CTBA analysis of ISBE 2016-2017 Report Card Data
As shown in Figure 20, when considered by district racial/ethnic composition, supermajority-Latino districts served the largest percentage of English language learners.

**Figure 20**
Percent of Students Who Are English Language Learners, by District Racial/ Ethnic Majority

When considered by income, districts with the highest concentrations of poverty also served the largest percentage of English language learners, as shown in Figure 21. This is another cause for concern from an educational standpoint, given that districts with greater concentrations of low-income students also have less funding per pupil than districts with the fewest low-income students, and English learners require additional resources to be adequately educated.

**Figure 21**
Percent of Students Who Are English Language Learners, by Income Level

---

### 4.3 Inequities and Income/Racial/Ethnic Distribution by Geographic Region

To create a geographic analysis of education funding in the state under the old Foundation Formula, Illinois has been divided into four primary regions: (i) the Chicago Public Schools system, or CPS; (ii) Cook County (not including CPS); (iii) the five “Collar” Counties (DuPage, Lake, McHenry, Kane, and Will); and “Downstate” Illinois, which refers to all other communities across the state. As shown in Figure 22, 90 percent of the students attending CPS, and 59 percent of the students attending schools in Cook County (not including CPS), are non-white, while just over 27 percent of Downstate students are non-white.
While Downstate districts educated just over one-third of the total state enrollment, over half of all white public school students in Illinois attended schools in Downstate districts in the 2016-2017 school year. Meanwhile, more than 42 percent of all black students and over 34 percent of all Latino students in Illinois attended CPS, despite CPS serving only 19 percent of the total state enrollment, as shown in Figure 23.

The concentration of low income students served also varies by geographic region. As shown in Figure 24, the Collar Counties served the lowest percentage of low-income students statewide, 35.65 percent, while CPS served more than double that number, as 83.1 percent of the students it educated were low income in the 2016-2017 school year.
Not surprisingly, average funding per pupil also varied by geographic location. Cook County districts (excluding CPS) had the highest average funding level of $16,362 per pupil. Downstate Districts had the lowest, at $11,141 per pupil, which was just 68 percent of the level in Cook County (excluding CPS), as shown in Figure 25.

![Figure 25](image)

**Figure 25**
Per-Pupil Funding by Source and Geographic Region

Cook and Collar County districts raised significantly more of their funding from property taxes than did either CPS or Downstate districts. One reason for this is that Downstate districts had just 40 percent of the EAV per pupil that Cook County districts did (excluding CPS), as shown in Figure 26, while CPS had just 53 percent of the EAV per pupil of Cook County (not including CPS).

![Figure 26](image)

**Figure 26**
EAV per Pupil by Geographic Region

Despite spending relatively less per pupil than Cook County and the Collar Counties, CPS had the highest percentage (and number) of students who are English language learners, as shown in Figure 27.
Academically, student performance on standardized tests by geographic region followed the same trends highlighted earlier in this report: regions with fewer resources and more low-income students did not perform as well as regions with wealthier districts, as shown in Figure 28.
The same holds true when comparing high school graduation rates across regions. Those regions with the lowest per-pupil spending and highest low-income concentrations (CPS and Downstate) also had the lowest 2017 graduation rates, as shown in Figure 29.

**Figure 29**
**Percentage of Students Graduating High School in Four Years, by Geographic Region**

In summary, the inequitable allocation of resources under the old Foundation Formula correlates with inequitable student performance on standardized tests and in graduation rates by income, race, ethnicity, and geographic region. Those districts with the most funding per student – raised primarily from local resources – scored higher on academic assessments, and achieved higher graduation rates. On average, these high-performing school districts were the highly-resourced, low-poverty, Flat Grant, and Alternate Method districts, which predominantly serve white students. Under the old Foundation Formula, those school districts in communities that did not have the local resources to fund an adequate education had, on average, thousands of dollars less in per-pupil funding, significantly lower test scores, and lower graduation rates. These districts included the vast majority of high-poverty, Foundation Formula districts, which also served relatively larger populations of students who are black, Latino, or English learners. Taken together, then, the old Foundation Formula system in Illinois disadvantaged middle- and low-income students generally, and black and Latino students specifically, and hence in application was structurally racist.
5. HOPE FOR THE FUTURE: HOW THE NEW EVIDENCE-BASED FUNDING FORMULA CAN BUILD EQUITY AND ADEQUACY INTO ILLINOIS’ SCHOOL FUNDING SYSTEM

5.1 A Momentous Transformation

On August 31, 2017, Illinois decision makers finally jettisoned one of the least-equitable K-12 public education funding formulas in the country and replaced it with the Evidence-Based Funding for Student Success Act, or EBF. The EBF represents the best practice in school funding because it ties the dollar amount taxpayers invest in schools to those educational practices which research shows actually enhance student achievement over time. Hence, after the model becomes fully funded, stakeholders can expect to see: growth in student test scores; improved school climates with reduced disciplinary problems; reduced drop-out rates with corresponding increases in high school graduation and college enrollment rates; and a K-12 system that appropriately serves the social/emotional needs of students from diverse backgrounds. Ultimately, the EBF—again, when fully funded—will 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, ethnicity, or geography.

5.2 Core Aspects of the EBF

The EBF includes the following four core aspects:

- First, it identifies a unique “Adequacy Target” of funding needed in each individual school district to implement the research/evidence-based practices that correlate to enhancing student achievement.

- Second, it adjusts the Adequacy Target of a school district by formula, to ensure it is sufficient to meet the needs of that district’s actual student population, considering both its total enrollment, and how much of that enrollment is comprised of low-income, special needs, and English learner students.

- Third, it identifies how much of a school district’s Adequacy Target is already covered by that district’s “Base Funding Minimum” (BFM), and “Local Capacity Target” (LCT).
  - The BFM is comprised of all state grant funding for education which a district received in the prior fiscal year. Hence in FY2018, a district’s BFM was the total amount of state funding that district received in FY2017 from the following grants: Stop Loss, English Learner Education, Special Education Personnel, Special Education Funding for Children, and Special Education Summer School (thereafter, the BFM will be increased annually by all new state funding said district receives under the EBF); and
  - The LCT for each district is the dollar amount of its Adequacy Target that school district should cover from its own, local resources. A district’s LCT is based primarily on the EAV available for it to tax, versus the EAV available to all other districts. Under the EBF, low property wealth districts, which often have high property tax rates, are not expected to contribute as much towards the cost of covering their respective Adequacy Targets as are higher wealth districts.

- Fourth, it identifies how much of the new K-12 funding from state-level EBF resources a school district will receive in a given fiscal year, based on how far away it is from its Adequacy Target, after accounting for its BFM and LCT in said year. The distribution of state funding under the EBF is designed to drive most new state funding to those districts furthest from adequacy.

Overall, a district’s Adequacy Target is based on the cost of 34 different educational inputs or “elements” identified in the EBF legislation. These elements include everything from class size and professional development, to number of core teachers, guidance counselors, and tier 2 interventionists a particular district
needs to enhance achievement based on the unique student population it serves. Most of the elements are research or evidence based, while a few, like maintenance costs, are predicated on statewide averages. The EBF then costs out these 34 elements for each school district to identify the dollar amount of funding that district needs based on its total enrollment, as well as the number of low-income, special needs, and English learner students it serves.32

Given the variance in labor market costs across a state as diverse as Illinois, the EBF provides that each district’s Adequacy Target be adjusted based on regional cost factors.33 However, to ensure districts in lower cost areas of Illinois are able to remain competitive for attracting and retaining highly qualified faculty and staff, a floor is placed on the regional cost adjustment of 90 percent.34

After determining each district’s LCT and BFM, the EBF then creates a procedure for calculating how close or far that school district is from its Adequacy Target. This is determined by adding the dollar values of a district’s Base Funding Minimum in a year to its Local Capacity Target and Personal Property Replacement Tax revenue for that year. Next, this sum is divided by that district’s Adequacy Target for the year in question, which produces its “Percent of Adequacy.” Once each school district’s Percent of Adequacy is computed, all districts statewide are broken into four tiers – Tier I being comprised of the least adequately funded districts, and Tier IV of the best funded districts. The cutoff percentage for Tier I and Tier II will vary every year based on a number of factors, like changes in enrollment and how funding was distributed the prior year. In FY2018, the Tier breakdown was as follows:

- **Tier I**—This category includes the districts which are furthest away from their respective Adequacy Targets. In FY2018, Tier I districts had resources sufficient to cover only 64 percent or less of their Adequacy Targets. Under the EBF, Tier I districts receive 50 percent of all new funding the state allocates to K-12 education in a fiscal year.35 Under the General Fund budget for FY2018 that passed over the Governor’s veto, K-12 education received $366 million more in state funding than in FY2017.36 In the FY2019 General Fund Budget, a minimum of $300 million over FY2018 levels will be funded through the EBF, though that amount may increase to as high as $350 million.

- **Tier II**—Each Fiscal Year, this category will include those districts which have resources sufficient to cover between the cutoff for Tier I and 90 percent of their respective Adequacy Targets. Under the EBF, Tier II districts share 49 percent of the new state funding devoted to K-12 in a year with Tier I districts;

- **Tier III**—This category includes those districts that have resources which cover between 90 and 100 percent of their respective Adequacy Targets. Tier III districts receive just 0.9 percent of the new funding the state allocates to K-12 under the EBF in a year. Hence, in FY2018, Tier III districts received just $3.3 million of the $366 million in new funding distributed through the EBF.

- **Tier IV**—This category includes the best funded school districts in the state, all of which already have resources which cover at least 100 of their respective Adequacy Targets. These districts receive just 0.1 percent of all new state-level education funding under the EBF in a fiscal year. In FY2018, that meant only $366,000 of the $366 million in new state funding went to Tier IV districts38.

**Note how powerful this distribution mechanism is from an equity standpoint, allocating 99 percent of the new funding for education to those districts that are least adequately funded.**

The EBF contained numerous other provisions covering everything from the establishment of a property tax relief fund intended to incentivize reduction of local property tax burdens in high rate/low EAV school districts, to changes in how charter schools are funded, mandate relief, and the creation of an income tax credit for qualifying donations toward private school scholarships. For a more detailed summary of the primary elements of the legislation that incorporates the EBF, see CTBA’s report “Analysis of SB 1947: The Evidence-Based Funding for Student Success Act,” available online through the following link: https://www.ctbaonline.org/file/488/download?token=LTIChaCm
6. THE INITIAL DISTRIBUTION OF NEW FUNDING UNDER THE EBF SHOWS THE FORMULA WORKS AS INTENDED – BY POWERFULLY PROMOTING EQUITY AND TARGETING THE GREATEST INVESTMENTS TO THE DISTRICTS WITH THE GREATEST NEEDS

When considered as a whole, K-12 education funding in Illinois was some $7.37 billion short of what was needed to fund the EBF fully statewide in FY2018.\(^3\) By its express terms, the EBF requires the state to increase K-12 funding annually by at least $300 million over prior year levels.\(^4\) According to ISBE, in FY2018 the state distributed $366 million in new funding to K-12 school districts through the EBF, as well as $29 million in new funding for the Supplemental English Learner Grant.\(^5\) As highlighted previously, until it is fully funded, the legislation is designed to build equity and adequacy in Illinois’ education funding system by targeting most new K-12 funding to those districts which the evidence indicates are furthest away from having adequate resources to educate the students they serve. As shown in Figure 30, the initial tranche of $366 million in new funding for K-12 which was distributed in FY2018 powerfully worked as intended, by targeting just over 89 percent, or $336.6 million, of that new funding to Tier I school districts, which are those furthest away from having the resources needed to cover their respective Adequacy Targets.

### Figure 30
FY2018 EBF Distribution of New K-12 Funding from the State

<table>
<thead>
<tr>
<th>Tier</th>
<th>New $</th>
<th>% of New Money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>$326,630,217</td>
<td>89.09%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>$36,313,680</td>
<td>9.91%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>$3,299,490</td>
<td>0.90%</td>
</tr>
<tr>
<td>Tier 4</td>
<td>$366,609</td>
<td>0.10%</td>
</tr>
<tr>
<td>Total</td>
<td>$366,609,996</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: CTBA analysis of ISBE FY18 EBF Distribution Quick Facts, 4/30/2018

The EBF effectively counters Illinois’ ignoble tradition of inequitably funding public education by focusing the vast majority of new K-12 funding on those districts furthest from their Adequacy Targets, which tend to also be those districts serving student populations with the greatest poverty. As shown in Figure 31, well over half – 57 percent – of all new EBF funding in FY2018 went to school districts serving student populations that were 67-100 percent low income, while: fully $290.5 million, or 79 percent, of the $366 million in new K-12 funding distributed under the EBF in FY2018 went to school districts serving student populations that were over half (53 percent or more) low income; and $320.5 million, or 87.6 percent, went to districts with a low income concentration of 40 percent or more.
As shown in Figures 32 and 33, because low-income students and English learners are dispersed across the state, every geographic region of Illinois received a significant new investment of state funding for K-12 education under the EBF in FY2018.
**Figure 33**

FY2018 New Funding Under EBF and Demographic Data, by Geographic Area

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>% New Tier Funding Under EBF</th>
<th>% of New Supplemental English Learner Grant</th>
<th>% Total New Money from Both Sources</th>
<th>% of Total Enrollment (ASE)</th>
<th>% of All Low Income Students</th>
<th>% of All EL Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook County (no CPS)</td>
<td>19.3%</td>
<td>18.3%</td>
<td>19.2%</td>
<td>18.7%</td>
<td>18.3%</td>
<td>26.4%</td>
</tr>
<tr>
<td>“Collar Counties”*</td>
<td>28.4%</td>
<td>30.4%</td>
<td>28.6%</td>
<td>28.5%</td>
<td>20.1%</td>
<td>31.6%</td>
</tr>
<tr>
<td>“Downstate”</td>
<td>34.2%</td>
<td>9.3%</td>
<td>32.4%</td>
<td>34.0%</td>
<td>31.8%</td>
<td>10.3%</td>
</tr>
<tr>
<td>CPS</td>
<td>18.1%</td>
<td>42.0%</td>
<td>19.9%</td>
<td>18.8%</td>
<td>29.8%</td>
<td>31.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>% Low Income Students within Area</th>
<th>% EL Students within Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook County (no CPS)</td>
<td>48.2%</td>
<td>14.0%</td>
</tr>
<tr>
<td>“Collar Counties”*</td>
<td>34.7%</td>
<td>11.0%</td>
</tr>
<tr>
<td>“Downstate”</td>
<td>46.2%</td>
<td>3.0%</td>
</tr>
<tr>
<td>CPS</td>
<td>77.9%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Illinois</td>
<td>49.3%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

Source: CTBA Analysis of ISBE Data, FY 2018 EBF Distribution Quick Facts, 4/30/2018

*Note: “Collar Counties” consist of DuPage, Kane, Lake, McHenry, and Will Counties; “Downstate” encompasses all school districts not included in the other geographic categories

**7. ILLINOIS HAS TO FUND THE EBF FULLY TO ELIMINATE THE EDUCATIONAL INEQUITIES BY INCOME, RACE, AND ETHNICITY THAT PERTAINED UNDER ITS PRIOR SCHOOL FUNDING FORMULA**

As detailed in Section 6, the good news is that the EBF is well designed to eliminate the various educational inequities created under Illinois’ prior, Foundation Formula approach to school funding. However, actually attaining that goal requires Illinois to fund the EBF fully. That will be a challenge for two key reasons. First, the state is running an accumulated deficit in its General Fund that is estimated to be nearly $10 billion by the end of FY2019 – or roughly 38 percent of all General Fund spending on current services for the year. Given that more than 9 out of every 10 dollars spent on current services go to the four core areas of education (pre-K, K-12, and higher education), healthcare, human services, and public safety, it is clear that decision makers will have to get the state’s fiscal house in order in order to make full funding of the EBF possible.

Second, the imperative of addressing the state’s fiscal health becomes clear once one considers how underfunded Illinois’ public school system currently is. According to ISBE, in FY2018 the data showed that the aggregate level of K-12 education funding in Illinois was some $7.37 billion less than what the evidence indicated was needed to fund the Adequacy Target for every school district. And while that certainly is a significant challenge, it is one that the data make abundantly clear state decision makers have to meet if they are sincere in their support of a public school system that provides every child – regardless of race, ethnicity, or income – with a quality education. Here’s why.
Recall that at its core, the EBF identifies a unique Adequacy Target of funding each school district needs to implement those educational practices which the evidence and/or research show actually enhance student achievement.\(^{45}\) As indicated in **Figure 34**, one legacy of the state’s prior school funding formula is that, of the 853 school districts in Illinois, only 146, or 17 percent, are currently spending at or above their respective Adequacy Targets. That of course means that the vast majority – 707 districts, or almost 83 percent of all districts – are spending less on educating their students than what the evidence indicates is needed. One clear vestige of that legacy is that the vast majority of children in Illinois – 86.2 percent – attend schools that are inadequately funded. Digging deeper into student demographics, there is a clear racial divide between districts spending above and below adequacy. Of the students attending schools in the 17 percent of districts that spend more than their respective Adequacy Targets, nearly 68 percent are white while only 4 percent are black.\(^{46}\)

**Figure 34**

**Count and Racial/Ethnic Breakdown of Districts Spending Above and Below Adequacy Targets**

<table>
<thead>
<tr>
<th></th>
<th>Count</th>
<th>% of All Districts</th>
<th>% of Total School Enrollment</th>
<th>% of Students who are White</th>
<th>% of Students who are Black</th>
<th>% of Students who are Latino</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts Spending Above Adequacy Targets</td>
<td>146</td>
<td>17.12%</td>
<td>13.18%</td>
<td>67.62%</td>
<td>4.08%</td>
<td>14.40%</td>
</tr>
<tr>
<td>Districts Spending Below Adequacy Targets</td>
<td>707</td>
<td>82.88%</td>
<td>86.19%</td>
<td>46.00%</td>
<td>19.56%</td>
<td>27.27%</td>
</tr>
</tbody>
</table>

Source: Enrollment numbers are from CTBA 3-year averages of ISBE FY2015, FY2016, and FY2017 Illinois Report Card enrollment data; CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations

In part because white students make up a relatively large percentage of students in high-spending districts, the average difference between actual educational spending and the Adequacy Target level of spending, or “Adequacy Gap,” for white students is significantly less than the average per student Adequacy Gap faced by black students. In fact, the average per-student Adequacy Gap for black students is $2,246, or 105 percent worse than the average per-student Adequacy Gap for white students, when the spending of all districts is considered, as shown in **Figure 35**.

**Figure 35**

**Average Adequacy Gap per Pupil by Race/Ethnicity before Funding of the EBF in FY2018, All Districts**

<table>
<thead>
<tr>
<th></th>
<th>CTBA Calculation of Average Enrollment, 2015-2017</th>
<th>Total Adequacy Gap, Weighted</th>
<th>Adequacy Gap per Pupil</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>1,066,578</td>
<td>$2,288,734,953</td>
<td>$2,145.87</td>
</tr>
<tr>
<td>Black</td>
<td>361,658</td>
<td>$1,588,044,088</td>
<td>$4,391.01</td>
</tr>
<tr>
<td>Latino</td>
<td>534,120</td>
<td>$2,286,338,270</td>
<td>$4,280.57</td>
</tr>
<tr>
<td>Total</td>
<td>2,150,697</td>
<td>$6,566,104,840</td>
<td>$3,053.01</td>
</tr>
</tbody>
</table>

Source: CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations; Enrollment numbers by race are from CTBA 3-year averages of ISBE FY2015, FY2016, and FY2017 Illinois Report Card enrollment data
However, to gain a more accurate understanding of Adequacy Gaps by race and ethnicity, it is helpful to eliminate those 146 districts that are spending at or above their Adequacy Targets, to isolate the experience of solely those students who attend school in districts that do not have sufficient resources to fund their respective Adequacy Targets. While the average Adequacy Gaps shown in Figure 36 grew most significantly for white students after the 146 well-funded districts were omitted, the data confirm that black and Latino students on average still faced the most significant per-pupil Adequacy Gaps under the state’s prior Foundation Formula. The average per-pupil Adequacy Gap for black students attending schools in districts spending below their Adequacy Target is $1,347, or 41 percent, worse than the average per-pupil Adequacy Gap for white students attending schools in such districts, while the per-pupil Adequacy Gap for Latino students was $1,564, or 47 percent, worse than for white students.

### Figure 36
Average Adequacy Gap per Pupil by Race/Ethnicity, Excludes Districts Spending in Excess of Adequacy Target

<table>
<thead>
<tr>
<th></th>
<th>CTBA Calculation of Average Enrollment, 2015-2017</th>
<th>Total Adequacy Gap, Weighted</th>
<th>Adequacy Gap per Pupil</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>854,854</td>
<td>$2,829,200,598</td>
<td>$3,309.57</td>
</tr>
<tr>
<td>Black</td>
<td>348,085</td>
<td>$1,620,778,837</td>
<td>$4,656.28</td>
</tr>
<tr>
<td>Latino</td>
<td>489,610</td>
<td>$2,386,295,960</td>
<td>$4,873.87</td>
</tr>
<tr>
<td>Total</td>
<td>1,838,110</td>
<td>$7,369,105,965</td>
<td>$4,009.07</td>
</tr>
</tbody>
</table>

Source: Enrollment numbers by race are from CTBA 3-year averages of ISBE FY2015, FY2016, and FY2017 Illinois Report Card enrollment data; CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations

The Adequacy Gaps by race and ethnicity take on added importance given a recent statistical analysis ISBE prepared for the Professional Review Panel (the “Review Panel”), created under the EBF legislation. The Review Panel requested ISBE to run a regression analysis of student performance data, to see if, even controlling for low income status, race and/or ethnicity were statistically meaningful predictors of student performance on the PARCC exam. ISBE completed that analysis for the September 18, 2018, meeting of the Review Panel. As shown in Figures 37 and 38, ISBE’s analysis did indeed find that both race and ethnicity were statistically significant predictors of student performance, even after controlling for income.

Student PARCC exam scores are divided into five performance level categories, with Level 1 meaning “did not meet expectations” and Level 5 meaning “exceeded expectations.” As shown in Figure 37, the average white student’s performance on the 2016-2017 PARCC exam was 0.68 levels higher than the average black student’s performance and 0.5 levels higher than the average Latino student’s. ISBE found that the difference between the average 2016-2017 PARCC performance level for white students and black students was statistically significant (p<0.0001), with race accounting for 10.39 percent of the variation in performance level.
As Figure 38 shows, the difference in average performance level between low-income and non-low-income students is 0.47 levels, which is smaller than both the black and white difference (0.68 levels) and Latino and white (0.5 levels). ISBE’s analysis revealed that, even after controlling for income, race was a statistically significant predictor of performance on the PARCC exam (p<0.0001), with race accounting for almost 16 percent of the variation in performance levels.

Given the greater Adequacy Gaps faced by minority students, it again appears that the prior Foundation Formula funding system was structurally racist in resource distribution, and likely contributed to this performance gap. Moving forward, it may make sense for the Review Panel to consider adding some type of research or evidence-based resource enhancement to the EBF predicated on race.

That said, the first year of implementation of the EBF shows it is well designed to counter the state’s legacy of inequitable educational funding by race and ethnicity. In fact, as shown in Figure 39, $278.5 million – or 76 percent – of the $366 million in new K-12 funding distributed through the EBF in FY2018 went to school districts which collectively are responsible for educating 84.1 percent of all black students, and 75 percent of all Latino students in Illinois.
As Figure 40 shows, per-pupil Adequacy Gaps also follow similar trends by geographic location: those areas with a higher concentration of minority and at-risk students also have the largest Adequacy Gaps. Cook County (excluding CPS) and Collar Counties, whose student populations are 40 and 51 percent white respectively, have the lowest Adequacy Gaps. CPS, whose student population is almost 90 percent black and Latino, has the worst Adequacy Gap per pupil, at $5,194. Though only 21 percent of students in Downstate school districts are black or Latino, those districts serve 32 percent of all of the state’s low-income students and have the lowest per-pupil EAV of all geographic regions. Their limited local resources combined with their high proportion of low-income students helps explain why Downstate Districts have the second worst Adequacy Gap per pupil, despite their majority-white student population.

As noted previously, in the 2017-2018 school year, a total of $366 million in new money was distributed under the EBF to districts across Illinois. As shown in Figure 41, the percentage of new money distributed across regions is roughly consistent with each region’s percentage of total enrollment, varying by no more than 1.6 percentage points. The reason for the slight variation becomes clear when looking at each region’s respective percentage of low-income students and English learners. Because those students require more resources to...
obtain an adequate education, regions with a larger share of low-income students and English learners received slightly more of the new funding. For example, although CPS serves just 18.8 percent of all Illinois students, it serves nearly 30 percent of all low-income students and nearly 32 percent of all English learners in Illinois, so it received 19.9 percent of new funding from the EBF.48

**Figure 41**
FY2018 Evidence Based Funding Distribution as a Percentage of State Total

<table>
<thead>
<tr>
<th>As a % of Illinois</th>
<th>% Final Tier Funding</th>
<th>% Supplemental EL Grant</th>
<th>% Total New Money from EBF</th>
<th>% Enrollment</th>
<th>% Low Income</th>
<th>% EL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook</td>
<td>19.3%</td>
<td>18.3%</td>
<td>19.2%</td>
<td>18.7%</td>
<td>18.3%</td>
<td>26.4%</td>
</tr>
<tr>
<td>Collar Counties</td>
<td>28.4%</td>
<td>30.4%</td>
<td>28.6%</td>
<td>28.5%</td>
<td>20.1%</td>
<td>31.6%</td>
</tr>
<tr>
<td>Downstate</td>
<td>34.2%</td>
<td>9.3%</td>
<td>32.4%</td>
<td>34.0%</td>
<td>31.8%</td>
<td>10.3%</td>
</tr>
<tr>
<td>CPS</td>
<td>18.1%</td>
<td>42.0%</td>
<td>19.9%</td>
<td>18.8%</td>
<td>29.8%</td>
<td>31.7%</td>
</tr>
</tbody>
</table>

Source: CTBA Analysis of ISBE Data, FY 2018 EBF Distribution Quick Facts, 4/30/2018

Overall, of the $366 million of new K-12 funding distributed through the EBF in FY2018, $119 million, or 32 percent, went to the five percent of districts which were furthest from adequacy. This bottom five percent of districts have a Percent of Adequacy that is 55.1 percent or less, according to a CTBA analysis of ISBE data. Though they serve just 7.9 percent of Illinois’ total student population, those districts serve 10.8 percent of the state’s low income students and 16 percent of its English learners.49 This distribution again confirms that the new education funding model is working as intended, as new money is clearly going to those districts with the greatest need.

In FY2018, just before new funding from the EBF was distributed for the first time, districts assigned to Tier 1 were spending on average over $5,000 less than their respective Adequacy Targets per pupil. By contrast, Tier 4 districts were spending about $3,000 more on average than their Adequacy Targets per pupil.50 That is a significant difference. However, if the EBF were fully funded, 74.4 percent of all new state funding would go to Tier 1 schools, as shown in **Figure 42**, dramatically increasing both the overall adequacy and equity of the state’s school funding system. Because districts in Tier 4 currently have more than adequate resources, they do not require any additional funding from the state to reach their Adequacy Targets.

**Figure 42**
Additional Funding through the EBF Model, if Fully-Funded, by Tier

<table>
<thead>
<tr>
<th>Tier</th>
<th>Adequacy Gap</th>
<th>Total Enrollment</th>
<th>Per Pupil</th>
<th>% of All Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>$5,469,702,470</td>
<td>1,012,495</td>
<td>$5,402</td>
<td>74.4%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>$1,806,795,297</td>
<td>563,994</td>
<td>$3,204</td>
<td>24.6%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>$73,804,623</td>
<td>114,054</td>
<td>$647</td>
<td>1.0%</td>
</tr>
<tr>
<td>Tier 4</td>
<td>$0</td>
<td>256,770</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$7,350,302,391</td>
<td>1,947,312</td>
<td>$3,775</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: ISBE Evidence-Based Funding Distribution Calculations for Fiscal Year 2019 from August 2018.
8. CONCLUSION

Though not without its flaws, Illinois’ new evidence-based school funding formula is a significant step in the right direction. Research from industrialized countries across the world has consistently shown that those nations which have been most successful in improving student achievement over time have focused on reforms that build capacity of the overall education system to meet the educational needs of all children. This is precisely what the EBF does.

Illinois finally has a school funding formula that isn’t an embarrassment as the most inequitable in the country, but rather a model for other states to emulate. When fully-funded, Illinois’ evidence-based approach will ensure every district in the state receives the support it needs to educate the children it serves. After decades of failing its children, particularly those in low-income communities and communities of color, Illinois is on a path to providing all children an adequate education, irrespective of income, race, or ethnicity. This is a victory for children, their parents, and communities throughout Illinois.

However, passing the EBF was just the first step on a multi-year trajectory toward equity and adequacy. The total cost of fully-funding the EBF in FY2019 is over $7 billion more than current levels. Building the state’s fiscal capacity required to make this investment not only makes sense from an educational standpoint, but, as all the research shows, from an economic standpoint as well.
9. ENDNOTES

1 Public Act 100-0465, 105 ILCS 5/18-8.15
2 Public Act 100-0465, 105 ILCS 5/18-8.15
5 CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations FY2017, https://www.isbe.net/Pages/ebfdistribution.aspx
8 William D. Dumcombe and John Yinger, How Much More Does a Disadvantaged Student Cost?, (Syracuse, N.Y.: Center for Policy Research at Syracuse University, July 2004). http://surface.syr.edu/cgi/viewcontent.cgi?article=1102&context=cpr.
10 CTBA analysis of ISBE data, FY2018 Evidence-Based Funding Formula Distribution Full Calculations; Enrollment numbers by race from CTBA analysis and averages of ISBE FY2015, FY2016, and FY2017 Report Card data
11 CTBA analysis of ISBE FY18 EBF Distribution Quick Facts, 4/30/2018 https://www.isbe.net/ebfdist
12 Center for Tax and Budget Accountability, The Value Propositions Associated with Funding Evidence-Based K-12 Education Practices, (Chicago, IL: September 2016), 17.
19 Center for Tax and Budget Accountability, The Value Propositions Associated with Funding Evidence-Based K-12 Education Practices, (Chicago, IL: September 2016), 19.
23 Illinois State Board of Education, Fiscal Year 2018 Proposed Budget, (Springfield, IL: February 2017), 75.
32 Public Act 100-0465, 105 ILCS 5/18-8.15.
33 Public Act 100-0465, 105 ILCS 5/18-8.15.
34 Public Act 100-0465, 105 ILCS 5/18-8.15.
35 Public Act 100-0465, 105 ILCS 5/18-8.15.
36 Public Act 100-0021, Article 97, Section 5.
37 P.A. 100-0465, 105 ILCS 5/18-8.15