Educating Illinois: A Look at the Evidence-Based Funding Formula

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Educating Illinois: A Look at the Evidence-Based Funding Formula

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1. Introduction to the Evidence-Based Funding Formula

On August 31, 2017, Illinois replaced one of the least-equitable K-12 public education funding formulas in the country with the “Evidence-Based Funding for Student Success Act”, or “EBF.” The EBF represents best practice in school funding for numerous reasons—key among them is the formula ties the dollar amount taxpayers invest in schools to covering the cost of those educational practices which research shows actually enhance student achievement. Investing public resources in funding educational practices that work makes all the sense in the world.

The EBF defines the amount of evidence-based funding each school district should receive as its “Adequacy Target.” The determination of a district’s Adequacy Target under the EBF involves quantifying the dollar amount that district needs to cover the costs of: implementing the research and evidence-based practices that correlate to enhancing student achievement delineated in the legislation; and paying for standard operational expenses such as building maintenance and back-office work.

Overall, a district’s Adequacy Target is based on costing out 34 different educational inputs or “elements” identified in the EBF legislation. These elements include everything from class size and professional development to the number of core teachers, guidance counselors, and Tier 2 interventionists a particular district needs to enhance student achievement, based on the unique student population the district in question 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, with formulaic adjustments that account for its total enrollment, as well as the number of low-income, special needs, and English learner (“EL”) students it serves. Because the EBF adds additional funding based on a district’s concentration of low-income, English learner, and special needs students, the formula ensures that school funding will be equitable in distribution, as well as adequate in amount.

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 to account for regional cost factors. However, to ensure districts in lower cost areas of Illinois remain competitive for attracting and retaining highly qualified faculty and staff, a floor is placed on the regional cost adjustment of 90 percent.

After determining a district’s Adequacy Target, the EBF identifies how much of a school district’s Adequacy Target is already being covered by that district’s “Base Funding Minimum” (“BFM”) and “Local Capacity Target” (“LCT”).

The BFM is the full dollar amount of all state funding for education which the district in question received in the immediately preceding fiscal year. Hence in FY 2023, a district’s BFM is the total amount of state funding that district received in FY 2022. Under the EBF, a district’s BFM increases by the amount of any new EBF formula funding said district receives from the state in a year.

The LCT for each district is the dollar amount of its Adequacy Target that the school district in question should cover from its own, local resources. A district’s LCT is based primarily on the “Equalized Assessed Value” or “EAV” of the real property available for said district 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. This also helps promote equity in education funding, as districts with lesser EAVs end up qualifying to receive more formula funding from the state under the EBF than do districts with greater EAVs.
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 having total resources equivalent to its Adequacy Target. This is determined by adding the dollar values of a district’s BFM in a year to its LCT and Corporate Personal Property Replacement Tax revenue for that year. Next, this sum is divided by that district’s Adequacy Target for the year in question. The resultant percentage is the district’s “Percent of Adequacy” for the fiscal year in question. Simply put, a district’s Percent of Adequacy identifies what portion of its Adequacy Target said district has already covered in state and local funding. Federal funding is not included in the calculation.4

To determine priority for receipt of new, year-to-year state level funding made available under the EBF in a given fiscal year, the EBF sorts school districts into four groups—Tier 1, Tier 2, Tier 3, and Tier 4—based on each respective school district’s Percent of Adequacy. Tier 1 districts have the lowest Percentages of Adequacy, and hence the greatest funding gaps between their existing state and local resources and their Adequacy Targets.

The range of districts falling within Tier 1 under the EBF is dynamic and changes from year-to-year based on a formula. The cut-off point—as in the Percent of Adequacy—for qualifying as a Tier 1 district under the EBF is called the “Target Ratio.”5 In FY 2023, the Target Ratio to qualify as a Tier 1 district was a Percent of Adequacy of 73 percent or less.6

Tier 2 districts are those which have a greater portion of their respective Adequacy Targets covered in current state and local resources than do Tier 1 districts, but still have Percentages of Adequacy that are less than 90 percent.7 Tier 3 districts have between 90 and 100 percent of their Adequacy Targets covered in current state and local resources, while Tier 4 districts have current state and local resources which exceed their respective Adequacy Targets.8

After each district’s Tier is identified, the EBF prioritizes the distribution of any new state-level formula funding in a fiscal year as follows: 50 percent to Tier 1 districts; 49 percent to Tier 1 and Tier 2 districts on a pro-rata basis; nine-tenths of one percent to Tier 3 districts, and one-tenth of one percent to Tier 4 districts.9

To achieve “full funding” under the EBF, the state has the responsibility to cover 90 percent of the aggregate gap (the “Aggregate Adequacy Funding Gap”) between: (i) the total amount of state and local funding received by all school districts that are currently in either Tier 1 or Tier 2; and (ii) the sum of all Adequacy Targets for all school districts currently in Tier 1 or Tier 2.10 Tier 3 districts already have state and local resources that cover at least 90 percent of their Adequacy Targets, while Tier 4 districts already have state and local resources which exceed their respective Adequacy Targets. The excess funding held by Tier 3 or Tier 4 districts does not reduce the aforesaid Aggregate Adequacy Funding Gap.

Note that full funding of the EBF is not set at 100 percent of the Aggregate Adequacy Funding Gap. This is primarily for two reasons. First, federal funding for K-12 education in the state generally covers anywhere from seven percent to 10 percent of all K-12 funding needs.11 Hence, once a district has 90 percent of its Adequacy Target covered by state and local resources, federal funding will likely bring that district up to having almost 100 percent of its Adequacy Target covered overall.

Second, when all districts reach Tier 3, the funding distribution mechanism under the EBF changes from its current methodology, to providing nearly all new, year-to-year Tier funding to districts in Tier 3. This, in turn should increase the rate at which most districts with combined state and local resources that still fall below 100 percent of their Adequacy Targets, reach the 100 percent funded threshold.
2. Key Findings

2.1. Aggregate Adequacy Funding Under the EBF

- In FY 2023, ISBE determined an Adequacy Target for each of the 927 distinct organizational units which have the responsibility to provide public education to students in Illinois. Not all organizational units are traditional public school districts. For example, Regional Offices of Education and Laboratory Schools are included in the EBF’s definition of organizational units. This report focuses on the 851 organizational units that are public school districts.

- In the first year of implementation of the EBF—FY 2018—$366 million in new Tier funding was distributed to school districts. Thereafter, approximately $300 million in new Tier funding was distributed to districts in each of the subsequent fiscal years, except FY 2021.

- Overall, from FY 2018 through FY 2023, the state increased formula funding for K-12 under the EBF by $1.6 billion. Tier 1 and Tier 2 districts collectively received 99 percent—or $1.58 billion—of that new Tier funding, with 87.4 percent going to districts in Tier 1, and 11.6 percent to districts in Tier 2.

- Tier 3 and 4 districts received the remaining one percent of new Tier funding since FY 2018.

- Meanwhile, property tax revenue for K-12 also increased over this time period, by some $1.9 billion overall, and $1.2 billion in Tiers 1 and 2, collectively.

- This increased funding, among other factors, resulted in a concomitant increase in the Target Ratio, or cutoff point for qualifying as a Tier 1 district, which is expressed as a Percent of Adequacy.

- The Tier 1 Target Ratio was 65 percent in FY 2018—but by FY 2023, the Tier 1 Target Ratio increased to 73 percent. This is a positive development, because it allows districts with greater Percentages of Adequacy to qualify for Tier 1, and hence receive a greater share of new Tier funding from the state than if they were in Tier 2.

- Also, primarily due to increased local funding, the total number of Tier 3 and Tier 4 districts increased.

- The total number of Tier 1 districts also increased over this period of time because new Tier funding investments the state made in K-12 education, as well as increases in local revenues, had the combined impact of increasing the Target Ratio, which allowed districts with greater Percentages of Adequacy to qualify as Tier 1, and hence share in the greatest amount of new year-to-year Tier funding from the state.

- As a result of the increase in the number of districts qualifying for each of Tiers 1, 3, and 4, the total number of districts in Tier 2 decreased.

- Funding of the EBF is helping make a positive difference. In FY 2018, 657, or 77 percent, of all districts in Illinois were underfunded. Six years into the implementation of the EBF things have improved, with the number of underfunded districts declining to 596, or 70 percent, of all districts.

2.2. District and Demographic Distribution by Tier and Geographic Region

- From FY 2018 to FY 2022, over 50 percent of total, statewide “Average Student Attendance” or “ASE” were enrolled in Tier 1 districts, which had the least adequate funding levels. Meanwhile, Tier 1 and Tier 2 districts collectively educated over 80 percent of all students, while only 20 percent of total statewide ASE attended school districts in Tiers 3 and 4, which had adequate or better funding under the EBF.

- The major shift of ASE from Tier 1 into Tier 2 that occurred in FY 2023 was the consequence of Illinois’ largest school district—Chicago Public Schools (“CPS”)—moving from Tier 1 to Tier 2. This had a significant impact on ASE distribution, decreasing aggregate Tier 1 ASE below 50 percent for the first time.
• The shift of CPS from Tier 1 to Tier 2 also impacted distribution of ASE by race and ethnicity. After that shift occurred in FY 2023, Tier 1 districts ended up educating 38 percent of all white students in the state, 33 percent of all Black students in the state, 39 percent of all Latinx students in the state, 17 percent of all Asian students in the state, and 43 percent of all students who identify as 2 or more races or ethnicities.\textsuperscript{24}

• For comparison, in FY 2022, Tier 1 districts, which then included CPS, educated over 50 percent of the state’s total student population, including 69 percent of all Black students, 66 percent of all Latinx students, and 29 percent of all Asian students.\textsuperscript{25} Tier 1 districts educated a similar share of students by race and ethnicity in each fiscal year preceding FY 2022 during the implementation of the EBF.\textsuperscript{26}

• Of the 331 districts designated as Tier 1 in FY 2023: 246 are located in Downstate Illinois; 34 are located in the “Collar Counties” (which are comprised of the following counties: DuPage, Kane, Lake, McHenry, and Will); and 51 are located in suburban Cook County.\textsuperscript{27}

• Overall, 564 of the 851 districts in the state are located in Downstate Illinois, while Cook County and the Collar Counties account for another 143 districts each.\textsuperscript{28} CPS is comprised of just one district.

• CPS educates the greatest portion of Black students in the state—41 percent.\textsuperscript{29}

• Downstate districts educate the greatest portion of white students in the state—51 percent—as well as the greatest portion of students that identify as being 2 or more races—47 percent.\textsuperscript{30}

• CPS and the Collar Counties on average educate the greatest portion of Latinx students in the state—32 and 33 percent, respectively.\textsuperscript{31}

• The Collar Counties on average educate the greatest portion of Asian students in the state—46 percent.\textsuperscript{32}

• CPS educates four percent of the total white student population in the state. White students, however, account for 11 percent of CPS’s aggregate in-district student population.\textsuperscript{33} Meanwhile, Latinx students make up 47 percent of CPS’s in-district student population, with Black students accounting for 36 percent, and Asian students accounting for four percent.\textsuperscript{34}

• While the majority of students in suburban Cook County and the Collar Counties identify as white, fully 70 percent of the students attending school in Downstate districts identify as white—which is the greatest portion of in-district students identifying as any of the main racial or ethnic groups in any region of Illinois.\textsuperscript{35}

• In both Cook and the Collar Counties, students identifying as Latinx make up the second largest portion of total student ASE, after the white student population, while in CPS most students identify as Latinx.\textsuperscript{36}

2.3. Distribution of New Tier Funding Per Pupil

• From FY 2018 through FY 2023, the average, annual per pupil distribution of new Tier funding made to districts located in Downstate Illinois was $183, which was the greatest per pupil distribution of such funding made in any region of the state.\textsuperscript{37}

• Over that same time period, CPS received an average, annual per pupil distribution of new Tier funding of $140, which was the smallest of any region, while districts in Cook County and the Collar Counties came in at $154 and $167, on average, per pupil respectively.\textsuperscript{38}

• Although CPS received the smallest average, per pupil allocation of new Tier funding, it nonetheless consistently had one of the largest per pupil Adequacy Funding Gaps of any region until FY 2023, when a spike in local revenue helped close the gap.

• The data confirm that the EBF’s distribution model effectively assures that most new Tier funding the state invests in any given year goes to educating low-income students.\textsuperscript{39}
• In fact, from FY 2018 through FY 2023, nearly 60 percent of all new Tier funding has gone to low-income students, making them the primary beneficiaries of new Tier funding under the EBF. On a per pupil basis, annual new Tier funding for low-income students was approximately $200.

• English learners (“EL”) have also benefited under the legislation, gaining an estimated 17 percent of new Tier funding each year. On a per pupil basis, that translated to funding for EL students receiving an average of $220 in annual new Tier funding.

• The largest percentage share of new Tier funding—about 38 percent—went to students who identified as Latinx during the first two years of the EBF’s implementation, FYs 2018 and 2019. However, by FY 2023, the percentage share of total EBF funding distributed to white students—41 percent—exceeded the total funding share of 34 percent for Latinx students.

• Meanwhile the percentage share of total, new Tier funding distributed to Black students remained relatively stable from FY 2018 until FY 2022, hovering between 20 percent and 21 percent, then dipped noticeably in FY 2023 to 17 percent. The primary reason for the reduction in percentage share of new Tier funding going to Black students was the recategorization of CPS as a Tier 2 district in FY 2023, after having been categorized as a Tier 1 district in all prior years.

• That said, the data nonetheless confirm that the EBF distribution model is effectively helping to redress historic funding inequities by race and ethnicity that pertained under the state’s former approach to school funding. In fact, overall 87 percent of new Tier funding under the EBF has gone to educating, on average, 66 percent of the Black students in the state and 64 percent of all of the Latinx students in the state.

• In FY 2022, while CPS was still a Tier 1 district, only 29 percent of all Asian students attended schools in Tier 1 districts, which are the least funded districts in the state. That is by far the lowest percentage of any of the major racial or ethnic groups attending Tier 1 schools. Overall, 39 percent of all white students, the second lowest percentage of any major ethnic or racial group, attended Tier 1 schools in FY 2022, while fully 69 percent of all Black and 66 percent of all Latinx students attended Tier 1 schools in FY 2022.

• Those demographic splits changed materially in FY 2023, when CPS moved from Tier 1 into Tier 2. In particular, Tier 1 schools went from educating 69 percent of all Black students in FY 2022 to 33 percent in FY 2023, 33 percent to 38 percent of all white students, 66 percent to 39 percent of all Latinx students, and 29 percent to 17 percent of all Asian students.

2.4. Adequacy Funding Gaps

• One clear sign that the EBF is working as intended is the $1.53 billion reduction in the statewide Aggregate Adequacy Funding Gap that occurred over the FY 2018 through FY 2023 sequence, during which time the Aggregate Adequacy Funding Gap declined from $5.21 billion in FY 2018 to $3.68 billion in FY 2023.

• The Aggregate Adequacy Funding Gap for Tier 2 districts, as well as the average per pupil Adequacy Funding Gap for Tier 2 districts, actually worsened between FY 2018 and FY 2023, but this was primarily because CPS moved from a Tier 1 district to a Tier 2 district, and not because funding for other Tier 2 districts declined.

• In fact, if CPS is not included in the calculation, then the Aggregate Adequacy Funding Gap for Tier 1 districts declined by $448 million over this sequence, while the Aggregate Adequacy Funding Gap for Tier 2 districts declined by $455 million.

• Similarly, the portion of the Aggregate Adequacy Funding Gap attributed to Tier 2 districts increased over the FY 2022-FY 2023 sequence, from $1 billion or 23 percent in FY 2022 to $1.5 billion or 41 percent in FY 2023, while the portion of the Aggregate Adequacy Funding Gap attributed to Tier 1 districts decreased from $3.4 billion or 77 percent in FY 2022 to $2.2 billion or 59 percent in FY 2023.
• However, that significant jump in the portion of the Aggregate Adequacy Funding Gap attributable to Tier 2, as well as the decline in the portion of the Aggregate Adequacy Funding Gap attributable to Tier 1 that occurred between FY 2022 and FY 2023 was once again due to the shift of CPS from Tier 1 into Tier 2 during that period.50

• CPS had an average Adequacy Funding Gap of nearly $1.3 billion during each of the first six years of EBF implementation. This is about $400 million less than the average Aggregate Adequacy Funding Gap for Downstate Illinois during the same time period.51

• However, on average Downstate had an average ASE of 647,192 over this period, while CPS had an average ASE of 356,554. Hence the average per pupil funding gap of $3,494 realized by CPS over the FY 2018—FY 2023 sequence was materially greater than the average per pupil funding gap of $2,704 realized by Downstate districts.52

• As of FY 2023, CPS, which is a region that consists of just one district, is responsible for educating over 330,000 students, the vast majority of whom—77 percent—are low-income and/or non-white (89 percent).53

• Downstate Illinois, on the other hand, is currently—and always has been—the largest region in the state. As of FY 2023 Downstate includes some 564 different school districts, which collectively educate 627,000 students, many of which—46 percent—are low-income and/or white (69 percent).54

• Given that Downstate districts educate 34 percent of the total ASE in the state, and that 75 percent of all Tier 1 districts are located Downstate, it is not surprising that the dollar value of the Aggregate Adequacy Funding Gap is greater in Downstate than any other region.55

• From the inception of the EBF in FY 2018 through FY 2022, CPS had the greatest annual per pupil Adequacy Funding Gap of any region. Then in FY 2023, CPS realized an unprecedented year-to-year increase in local resources of $338 million, coupled with a decrease in student enrollment of 2.75 percent.56

• Those changes CPS realized at the local level had distributional consequences. For instance, in FY 2023, the per pupil Adequacy Funding Gap in both Cook County and the Collar Counties for the first time became greater than the per pupil Adequacy Funding Gap in CPS.57 Meanwhile, the annual per pupil Adequacy Funding Gap for Downstate districts consistently ranked as the lowest of any region over the full FY 2018 through FY 2023 sequence.

• Low-income and EL students face large Aggregate Adequacy Funding Gaps, which is not surprising given that 93 percent of EL students are educated in Tier 1 and Tier 2 districts, and 89 percent of low-income students are educated in Tier 1 and Tier 2 districts.

• From the perspectives of race and ethnicity, Asian and white students face the smallest per pupil Adequacy Funding Gaps, while Black, Latinx, and multiracial students face the greatest annual per pupil Adequacy Funding Gaps.58

• In FY 2023, the per pupil Adequacy Funding Gap faced by Black students ($2,628) is nearly identical to the per pupil Adequacy Funding Gap faced by low-income students ($2,657). The per pupil Adequacy Funding Gap faced by Latinx students ($2,830) is nearly identical to the per pupil Adequacy Funding Gap faced by EL students ($2,823). However, it must be taken into account that Latinx students represent only some of the students who are English learners in Illinois. There are many other races/ethnicities included in the category of students who are English learners.

• The good news is the data again confirm that the EBF is working as intended in three key ways:
  ✓ First, the EBF is helping make up for the state’s historic underfunding of schools attended by Black and Latinx students, and hence effectively countering the structural racism inherent in the state’s former approach to school funding.
Consider that in FY 2018—the first year of the EBF—the per pupil Adequacy Funding Gap faced by Black students was $3,770, or $1,142 more than the $2,628 it is this year in FY 2023. Similarly, the per pupil Adequacy Funding Gap faced by Latinx students in FY 2018 was $3,958 or $1,129 more than the $2,830 it is in FY 2023.59

Second, the EBF is helping reduce the per pupil funding gap faced by both low-income and EL students. Consider that in FY 2018—the first year of the EBF—the per pupil Adequacy Funding Gap faced by low-income students was $3,695, or $1,037 more than it is this year in FY 2023. Similarly, the per pupil Adequacy Funding Gap faced by EL students in FY 2018 was $3,918, or $1,095 more than the $2,819 it is in FY 2023.60

Third, the EBF is benefiting students of all races, as in the aggregate, $566 million or 37 percent of all new Tier funding from FY 2018 through FY 2023 has been distributed to white students, which is the same share received by Latinx student.61

Other factors that have impacted the decline in per pupil Adequacy Funding Gaps since the inception of the EBF include the unprecedented increase statewide in “Corporate Personal Property Replacement Tax” revenue (“CPPRT”) by 87 percent between FY 2018 and FY 2023, the 13 percent growth statewide in EAV and local property tax revenue between the same time period, and the 5.7 percent decrease statewide in student enrollment since FY 2018.

2.5. Distribution of Tier Funding by Low-Income Quintile

The data further confirm that the EBF is working as intended when analyzed by the amount of new Tier funding received by districts predicated on the concentration of low-income students they educate.

To make this analysis, all districts, other than CPS, were sorted into quintiles (each an “LI Quintile”), based on the percentage of low-income students they served. Districts serving the smallest percentage of low-income students were assigned to LI Quintile 1, and those serving the greatest percentage were assigned to LI Quintile 5. CPS, due to its size, was evaluated separately.

CPS on a stand-alone basis has a student population that is 77 percent low-income.

Overall, including distributions to CPS, $824 million, or 53 percent, of the $1.6 billion in total new Tier funding distributed under the EBF, has gone to districts that have student populations that are 58 percent or more low-income.

That distribution makes perfect sense from an equity standpoint, given that the per pupil Adequacy Funding Gaps are greatest for districts with student populations that are 58 percent or more low-income, inclusive of CPS.62

3. Adequacy Analysis

3.1. The Four As: Adequacy Targets, Average Student Enrollment, Adequacy Funding Gaps, and Percent of Adequacy

Under the EBF, a district’s “Adequacy Target” represents the total cost of implementing the research-based educational practices which should allow that district to:

- provide all students with a high-quality education that offers the academic, enrichment, social and emotional support, technical, and career-focused programs each student needs to succeed academically;63
- ensure all students receive the education they need to graduate from high school with the skills required to pursue post-secondary education and training for a rewarding career;64 and

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• reduce the achievement gap between at-risk and non-at-risk students by raising the performance of at-risk students and not by either reducing academic standards, or harming the performance of non-at-risk students.65

The EBF contains cost adjustments based on the unique demographics of the students attending each district, to ensure a district’s final Adequacy Target includes the dollar amount of resources needed to invest appropriately in educating all of its low-income, EL, and special needs students.66

Of course, if a district that has historically been underfunded finally attains the resources needed to satisfy its Adequacy Target, student outcomes won’t magically improve overnight. Instead, to start seeing measurable improvement in results, it generally takes ten years.67

In FY 2023, ISBE determined the Adequacy Target for each of the 927 organizational units in Illinois.68 Of those 927 organizational units:

- 851 are public school districts
- 74 are Regional Offices of Education (“ROEs”)
- 2 are Laboratory schools (“Lab Schools”)

The analysis in this Report focuses solely on the 851 school districts for which ISBE made Adequacy Target calculations under the EBF. ROEs and Lab Schools are excluded because they do not submit data for use in the Illinois Report Card, and Illinois Report Card data is needed to analyze how changes in K-12 funding implemented under the EBF impact different student populations across demographic lines.

Figure 1 identifies the number of districts that were in each Tier during each fiscal year in which the EBF has been implemented. Note, since the state did not increase year-to-year K-12 funding under the EBF in FY 2021 (a development which is analyzed in Section 3.2 of this Report), ISBE could not, and hence did not, make Tier calculations for FY 2021.69

Figure 1
Number of Districts by Tier,
FY 2018 – FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023
As shown in Figure 1, the movement of districts across Tiers changed more dramatically in FY 2023 than it had any time previously. Overall, Figure 1 shows that from FY 2018 through FY 2023, the total number of Tier 3 and Tier 4 districts increased. The total number of Tier 1 districts also increased over this period of time, while the total number of Tier 2 districts decreased.

The increase in Tier 1 districts, which are furthest from their respective Adequacy Targets, and concomitant decrease in better funded Tier 2 districts may seem counterintuitive, given that over this sequence the state increased funding for K-12 under the EBF by $1.6 billion, with Tier 1 and Tier 2 districts collectively receiving 99 percent—or $1.58 billion—of that new state level funding. So how exactly did the number of districts furthest from adequate funding and hence designated as Tier 1 manage to increase, while the number of slightly better funded districts that qualified for Tier 2 manage to decrease, despite districts in those two Tiers receiving the lion’s share of new state funding?

As it turns out, the factors which account for both outcomes actually constitute good—rather than bad—news. As indicated previously, over the FY 2018 through FY 2023 sequence, Tier 1 and Tier 2 districts realized increases in state funding every year—except FY 2021. Meanwhile, property tax revenue for K-12 also increased over that time period by some $1.9 billion overall, and $1.2 billion in Tiers 1 and 2 collectively. Given that this increase in funding on the front end impacted different districts in different ways—e.g. some districts realized more in property tax revenue growth, others more in state funding growth, there was natural movement by districts among the Tiers.

That natural movement among the Tiers caused by differentials in state and local resource growth was further exacerbated by circumstances such as changes in enrollment and changes in concentrations of low-income students. But all these factors combined to alter one of the most important considerations used to determine the ultimate Tier designation for a district—the cutoff point for qualifying as a Tier 1 district under the EBF.

This cut-off point, which is the maximum “Percent of Adequacy” a district can have to be included in Tier 1, and hence be eligible to share in the greatest portion of new state funding in a given year, is defined in the EBF as the “Target Ratio.” As indicated previously, the Target Ratio is dynamic, so as funding under the EBF changes over time, so does the Target Ratio. As shown in Figure 2, in FY 2018, the first year of EBF implementation, the Target Ratio cutoff to qualify for inclusion in Tier 1 was a Percent of Adequacy of just 65 percent. However in FY 2023, that cutoff point jumped up to 73 percent.

In other words, because the state increased K-12 funding by $1.6 billion since the EBF’s inception, among other things, some districts that were Tier 2 when the legislation passed, and are much better funded today, now qualify for Tier 1. By moving from Tier 2 to Tier 1, these districts attain the advantage of sharing in the greatest portion of new year-to-year Tier funding committed to K-12 by the state. This is a positive, because including better funded districts in Tier 1 will increase the rate at which a greater number of underfunded districts move towards realizing full funding of their respective Adequacy Targets.

Under the EBF, a district’s student enrollment is based on a three-year rolling average (“Average Student Enrollment” or “ASE”). This is done to create a smoothing effect intended to eliminate extreme fluctuations in funding due to yearly changes in enrollment.
Figure 3 shows how the percentage of total ASE in each Tier has changed since inception of the EBF in FY 2018. From FY 2018 through FY 2022, over 50 percent of total ASE attended Tier 1 districts, with the least adequate funding levels. Meanwhile, since the inception of the EBF through today, Tier 1 and Tier 2 districts have collectively educated over 80 percent of all students, while only 20 percent of ASE attended districts that had adequate or better funding under the EBF.\(^7^9\)

![Figure 3: Percent of ASE by Tier, FY 2018 – FY 2023](image)

The major shift of ASE from Tier 1 into Tier 2 that occurred in FY 2023 was not a statewide phenomenon but rather the consequence of Illinois’ largest school district—Chicago Public Schools (“CPS”)—moving from Tier 1 to Tier 2. This had a significant impact on ASE distribution, decreasing aggregate Tier 1 ASE below 50 percent for the first time, while simultaneously making Tier 2 the largest Tier by student population for the first time.\(^8^0\)

While a number of factors, including a decline in both total enrollment and low-income enrollment, contributed to the shift of CPS from Tier 1 into Tier 2, by far and away the main reason CPS changed Tiers was the year-to-year increase in the district’s Corporate Personal Property Replacement Tax (“CPPRT”) revenue, which jumped from $193 million in FY 2022 to $340 million in FY 2023, a year-to-year increase of $146 million or 76 percent.\(^8^1\)

Which means the primary reason CPS moved from Tier 1 into Tier 2 was a jump in local revenue—not an increase in state funding. Indeed, CPS received roughly $30 million less in new state funding under the EBF in FY 2023 than it would have received if it had remained in Tier 1.

One trend that bears watching is the decline in overall student population that is occurring in Illinois. As shown in Figure 4, from FY 2018 through FY 2023, Illinois realized a decline in ASE of approximately 112,200 students, or 5.7 percent of total ASE.\(^8^2\)
Not surprisingly, there have been large decreases in ASE since 2020, when the global COVID-19 pandemic was at its height. This enrollment decline has had a meaningful impact on formula funding.

As indicated previously, a district’s Adequacy Target as determined under the EBF is based in large part on its ASE, as well as the specific demographics of said ASE. Hence, the formula automatically reduces a district’s Adequacy Target as it loses ASE, and increases it as ASE grows. The EBF likewise adjusts the Adequacy Target calculation for changes in demographic composition, such as low-income or English learner enrollment.

This means taxpayers do not have to be concerned that the formula will artificially inflate the cost of educating students. It also means a portion of the reduction in the Aggregate Adequacy Funding Gap that has been realized since FY 2018 is due to the aforesaid decline in enrollment, rather than increased funding from state or local resources.

As shown in Figure 5, from FY 2022 to FY 2023, the greatest year-over-year ASE decline geographically occurred in CPS, and the greatest decline in ASE by race/ethnicity occurred among white students.
Figure 5
ASE by Region, Race & Ethnicity, FY 2018 – FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023
However, the proportion of ASE by region remained relatively stable, as did the proportion of ASE by race and ethnicity, as shown in Figure 6.

Figure 6
Proportion of ASE by Region & Race/Ethnicity,
FY 2018–FY 2023

Hence, the decline in ASE has been relatively uniform on a pro-rata basis, both geographically across the state and demographically among the student population. For example, despite realizing the greatest decline in ASE of any region, CPS continued to represent roughly 19 percent of the total statewide ASE annually over the FY 2018 through FY 2023 sequence.84

Recall that, as shown in Figure 3, roughly 50 percent of total statewide ASE attended schools in a Tier 1 district each year from the inception of the EBF in FY 2018 until FY 2022. Then in FY 2023, CPS, by far and away the largest school district in the state from a student population standpoint, shifted from Tier 1 into Tier 2. As a consequence of the shift of that one, large district, in FY 2023, Tier 2 became the Tier with the greatest ASE for the first time, while Tier 1 fell from having the greatest ASE to having the second greatest ASE.
As it turns out, CPS not only has the greatest overall student enrollment of any district in Illinois, but also the greatest enrollment of Black and Latinx students.\textsuperscript{85} Hence, the shift of CPS from Tier 1 into Tier 2 also caused a significant realignment of ASE by race and ethnicity among the Tiers.

Figure 7 delineates the percentage of total student population by race and ethnicity educated in each of the Tiers in FY 2023. For instance, in FY 2023, Tier 1, which after the shift out of CPS educates 37 percent of the total student population in Illinois (shown in Figure 3), also educates \textbf{38 percent of all white students} in the state, \textbf{33 percent of all Black students} in the state, \textbf{39 percent of all Latinx students} in the state, \textbf{17 percent of all Asian students} in the state, and \textbf{43 percent of all students who identify as 2 or more races or ethnicities}.\textsuperscript{86}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure7.png}
\caption{Percentage of Total ASE Statewide by Race/Ethnicity & Tier, FY 2023}
\end{figure}

\begin{itemize}
\item This is in stark contrast to how the racial and ethnic breakdown of ASE by Tier looked in every prior year, from inception of the EBF through FY 2022 before CPS shifted into Tier 2. In FY 2022, Tier 1 districts, which then included CPS, educated over 50 percent of the state’s total student population. From a demographic standpoint, in FY 2022, Tier 1 districts educated 69 percent of all Black students, 66 percent of all Latinx students, and 29 percent of all Asian students, as shown in Figure 8.\textsuperscript{87} In each of the other years prior to FY 2023, the distribution of students within Tier 1 by race and ethnicity was similar to the distribution thereof in FY 2022.\textsuperscript{88} This means the vast majority of Black and Latinx students in Illinois have historically attended the poorest funded districts in the state.
\end{itemize}
Figure 8
Percentage of Total ASE Statewide by Race/Ethnicity & Tier, FY 2022

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2022

Figure 9 shows the geographic distribution of districts by Tier. Any break down of districts within Tier by geographic distribution will be referred to in this report as a “regional analysis.” For instance, of the 331 districts designated as Tier 1 in FY 2023: 246 are located in Downstate Illinois; 34 are located in the “Collar Counties”—which include districts in DuPage, Kane, Lake, McHenry, and Will counties; and 51 districts are located in suburban Cook County.89 CPS—which due to its large student population is counted as its own region to avoid skewing the data—was a Tier 1 district until FY 2023, when it became a Tier 2 district.90

Figure 9
Tier Analysis by Region, FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023
Overall, Downstate Illinois accounts for 564 of the total number of current districts, while Cook County and the Collar Counties account for another 143 districts each. CPS is comprised of just one district.

Figure 10 shows average racial and ethnic distribution of total student population in Illinois by geographic region over the FY 2018 through FY 2023 sequence.

As Figure 10 highlights, on average:

- CPS educates the greatest portion of Black students in the state—41 percent;
- Downstate educates the greatest portion of white students in the state—51 percent—as well as the greatest portion of students that identify as being 2 or more races—47 percent;
- CPS and the Collar Counties on average educate the greatest portion of Latinx students in the state—32 and 33 percent, respectively, and
- the Collar Counties on average educate the greatest portion of Asian students in the state—46 percent.

As opposed to Figure 10, which depicts distribution of total statewide student population, Figure 11 shows the average of the racial and ethnic distribution of student population within each discrete geographic region over the FY 2018 through FY 2023 sequence. For instance, while CPS only educates four percent of the total white student population in the state, white students account for 11 percent of CPS’ aggregate in-district student population. Meanwhile, Latinx children make up 47 percent of CPS’ in-district student population, while Black children account for 36 percent, and Asian just four percent.
While the majority of students in suburban Cook County and the Collar Counties identify as white, fully 71 percent of the students attending school in Downstate districts identify as white—which is the greatest portion of in-district students identifying as any of the main racial or ethnic groups in any region of Illinois. 98 In both Cook and the Collar Counties, students identifying as Latinx make up the second largest portion of total student ASE, after the white student population, while in CPS most students identify as Latinx. 99

3.2. Percent of Adequacy Analysis

As outlined previously in this Report, a district’s final Percent of Adequacy determines its Tier assignment. Districts in Tier 1 and Tier 2 have the lowest overall funding levels in the state, with each holding less than 90 percent of the state and local resources needed to satisfy their respective Adequacy Targets. 100 Because of that, the EBF prioritizes 99 percent of all new formula funding from the state in a fiscal year to be distributed to districts in these two Tiers.

Tier 3 districts have between 90 percent and 100 percent of the state and local resources needed to reach their respective Adequacy Targets. 101 Under the EBF as interpreted by ISBE, a district is considered “fully funded” when it qualifies for Tier 3 and reaches 90 Percent of Adequacy. To be consistent with ISBE’s interpretation of the EBF, in this Report when a district reaches the 90 Percent of Adequacy benchmark in combined local and state resources, that district will count as being fully funded under the EBF.

ISBE’s interpretation that a district is “fully funded” under the EBF when its Percent of Adequacy reaches 90—rather than 100—percent is rational, given that the Percent of Adequacy is predicated solely on state and local resources—and does not include any federal funding a district receives. Given the federal government covers, on average, about seven to eight percent of K-12 funding in Illinois annually, a district that has 90 percent of its Adequacy Target covered by state and local resources is in all likelihood close to or above 100 percent funded once federal dollars are considered. 102 Districts in Tier 3 share in 0.9 percent of all year-to-year new Tier funding. 103
Tier 4 districts are the best funded districts in the state, with each having resources that exceed 100 percent of their respective Adequacy Targets. Tier 4 districts share in just 0.1 percent of all year-to-year new Tier funding.

Once all districts reach at least Tier 3—and hence are deemed fully funded by ISBE—the distribution model as it exists today will adjust automatically under the EBF, given there will no longer be any prioritized distributions for Tier 1 or Tier 2 districts, which will no longer exist.

As shown in Figure 12, to date the number of districts below 90 Percent of Adequacy has decreased since implementation of the EBF, while the number of districts above 90 Percent of Adequacy has increased. This indicates the EBF has been working as intended to enhance K-12 funding equitably in Illinois.

![Figure 12](image)

**Figure 12**
*Count of Districts Above & Below 90% of Adequacy, FY 2018 – FY 2023*

In FY 2018, 657, or 77 percent, of all districts in Illinois were underfunded. However, six years into the implementation of the EBF, things have definitely improved, with the number of underfunded districts declining to 596, or 70 percent, of all districts. Clearly there remains a significant way to go, but progress is being made.

**Figure 13** identifies how the reduction in districts below Adequacy between FY 2018 and FY 2023 has impacted students, broken down by race and ethnicity.
Figure 13
ASE by Race/Ethnicity Organized by Districts Above & Below 90% Adequacy Target, FY 2018 & FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023

Even more evidence that the EBF is functioning as intended is shown in Figure 14, which highlights that Tier 1 districts—those with the lowest funding levels in the state—have, on average, realized the greatest growth in Adequacy levels since the inception of the legislation.

Figure 14
Average Percent of Adequacy by Tier, FY 2018 – FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023
As noted previously, the Target Ratio, or cutoff point for qualifying as a Tier 1 district, is expressed as a Percent of Adequacy. The Target Ratio is dynamic, and changes each year based on numerous factors such as increases or decreases in state and local funding levels, and changes in enrollment. As shown in Figure 15, the Tier 1 Target Ratio was 65 percent in FY 2018—but by FY 2023, the Tier 1 Target Ratio increased to 73 percent. This of course means that slightly better funded districts that were categorized initially as Tier 2 districts, and hence did not receive the greatest priority in funding, now do receive such priority because they qualify as Tier 1 districts.

Figure 15 sorts districts within each Tier by “Adequacy Band.” Adequacy Band is the range of Percentages of Adequacy in which a district falls in a given fiscal year. The bands shown in Figure 15 are: Band 1—districts falling at or below the Target Ratio; Band 2—districts above the Target Ratio but below 80 percent funded; Band 3—districts at least 80 percent funded but below 90 percent funded; Band 4—districts above 90 percent funded but below 100 percent funded; and Band 5—districts above 100 percent funded.

Because the Target Ratio for Tier 1 is dynamic and because the Target Ratio in FY 2023 increased substantially to 73 percent compared to prior fiscal years, the number of Tier 1 districts will continue to fluctuate year-over-year. However, overtime, as the Tier 1 Target Ratio increases, Adequacy Bands 2 and 3, which are comprised of Tier 2 districts, should continue to narrow, while Adequacy Band 4, which is comprised of Tier 3 districts, should continue to grow.
4. New Annual Tier Funding

4.1. Year-over-Year Growth in New Tier Funding

In an attempt to ensure no district would lose state-level funding on a year-to-year basis simply because Illinois was replacing its prior “foundation-level” approach to school funding with the evidence-based approach utilized under the EBF, legislators decided to include a “hold harmless” provision in the statute. Under this hold harmless provision, which is dubbed the “Base Funding Minimum” or “BFM” in the legislation, no district is supposed to receive a year-to-year reduction in state funding during any fiscal year in which both: (i) the EBF itself is not fully funded; and (ii) the amount of state formula funding distributed is at least equal to the prior year’s level of funding.110

The initial dollar value of BFM each district was supposed to receive in FY 2018, the first year the EBF was implemented, was the sum of the following state-level funding items that district realized in FY 2017, which was the last year of K-12 funding under Illinois’ prior, foundation-level formula: (i) General State Aid; (ii) Stop Loss Grant (if applicable); (iii) English Learner Education funding; (iv) Special Ed Personnel funding; (v) Special Ed Funding for Children; and (vi) Special Ed Summer School funding.111

Each year a district’s BFM is recalculated to include any additional Tier funding received by said district.112 Thus, in the second year of implementation, and all subsequent years thereafter, each district’s BFM is a dollar amount that is equal to the sum of its BFM from the prior fiscal year, plus the amount of any new Tier funding that district received in said prior Fiscal Year.113

Figure 16 shows the change in the aggregate BFM dollar amount from FY 2018—the first year of EBF implementation—through FY 2023.114

![Figure 16: EBF Funding, FY 2018 - FY 2023](image_url)

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023
As shown in Figure 16, there was no new Tier funding in FY 2021, and thus FY 2022 had no prior year funding to include in the BFM for that year.

4.2. Distribution of New Tier Funding

The EBF establishes two ongoing funding metrics for state-level investments in K-12 Education. First, the EBF sets a target of increasing year-to-year new Tier funding for K-12 Education by at least $300 million (the “Minimum Target Level”). Note that it is $50 million less than the $350 million amount actually specified in Section (g) of the EBF. The reason for this is the “Property Tax Relief Grant” or “PTRG” established in paragraph 9.5 of Section (g) of the legislation.

Under the statute, the dollar amount of any year-to-year increase in funding the state appropriates to the EBF in a given fiscal year that is in excess of $300 million, up to and including $350 million, is dedicated to the PTRG—not to formula funding. This creates up to $50 million for property tax relief under the EBF for the fiscal year in question. The statute further provides, however, that if any of the funding dedicated to the PTRG is not actually used for property tax relief in a given year, then such unused PTRG revenue will be distributed to school districts as additional formula funding.

This effectively reduces the state’s Minimum Target Level for increased, year-to-year new Tier Funding from the $350 million specified in statute to $300 million each fiscal year—and is precisely how the EBF has been interpreted by ISBE since the EBF was first implemented in FY 2018.

Illinois satisfied the Minimum Target Level for increased year-to-year state funding of K-12 Education in each of the first three fiscal years—FY 2018, 2019, and 2020—during which the EBF was implemented. However, due to a combination of the decline in General Fund revenue caused by the COVID-19 pandemic and Illinois’ structurally flawed tax policy, that streak of satisfying the annual Minimum Target Level increase was broken in FY 2021 when K-12 funding was held level with FY 2020, in nominal, non-inflation-adjusted dollars.

The state did get back to satisfying the Minimum Target Level of $300 million in new K-12 funding in FY 2022. In FY 2023, the state has continued the practice of increasing new Tier funding under the EBF by at least $300 million—and in fact, appropriated $350 million to the EBF in the final enacted General Fund Budget for FY 2023.

As indicated previously, all new Tier funding made available under the EBF is distributed primarily to districts furthest from their respective Adequacy Targets, with fully 99 percent of such new funding going to districts in Tiers 1 and 2. Tier 3 districts, which have state and local resources totaling anywhere from 90 to 100 percent of their respective Adequacy Targets, then share in 0.9 percent—less than one percent—of new year-to-year state funding, while Tier 4 districts, which each have state and local resources that exceed their respective Adequacy Targets, share just one-tenth of one percent of any new year-to-year state formula funding under the EBF.

Figure 17 confirms that the formula is working as intended, with Tier 1 districts having received 87.4 percent of all new Tier funding since FY 2018, Tier 2 districts having received 11.6 percent, and Tier 3 and 4 districts having received the remaining one percent of new Tier funding since FY 2018.
In the first year of implementation of the EBF—FY 2018—$366 million in new Tier funding was appropriated, all of which went to formula funding because no property tax relief grants were made. However, the full $50 million in Property Tax Relief Grants was funded in each of FY 2019, FY 2020, and FY 2022, and is anticipated to be funded in FY 2023. That in turn left approximately $300 million in new Tier funding to be distributed to districts in each of those fiscal years.

In addition to Tier 1 and Tier 2 districts receiving 99 percent of new Tier funding since the first year of implementation of the EBF, the students educated in Tier 1 and Tier 2 districts also received the largest portion of new Tier funding when measured on a per pupil basis, shown in Figure 18.
4.3. Distribution of New Tier Funding by Region

As detailed previously in Section 2.1 of this Report, the greatest number of Tier 1 and Tier 2 districts during the first six years of implementation of the EBF were located in Downstate Illinois. Therefore, it tracks that Downstate Illinois districts have received the greatest share of new Tier funding since the EBF was implemented, as shown in Figure 19.

However, the percentage of total new Tier funding each region received in and of itself does not provide a full picture of how K-12 funding is being distributed under the EBF, given that each region of the state varies in number of districts, number of students, and number of students by race, ethnicity, and income status.
Breaking down the regional funding distributions made under the EBF on a per pupil basis reveals some interesting data points. For instance, from FY 2018 through FY 2023, the average, annual per pupil distribution of new, year-to-year Tier funding under the EBF made to Downstate districts was $183, which was the greatest per pupil distribution of such funding made in any region of the state.\(^{126}\)

Conversely, over that same time period CPS received an average annual per pupil distribution of new Tier funding under the EBF of $140, which was the smallest of any region, while districts in Cook County and the Collar Counties came in at $154 and $167, on average, per pupil respectively. Figure 20 shows per pupil distribution of new Tier funding by region for each year in which there was a distribution of new Tier funding under the EBF.

**Figure 20**  
Annual Per Pupil Distribution of New Tier Funding by Region,  
FY 2018 – FY 2023

<table>
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<th>Year</th>
<th>Statewide</th>
<th>Downstate Districts</th>
<th>Collar Counties</th>
<th>Cook County</th>
<th>CPS</th>
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<td>$187</td>
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<td>$167</td>
<td>$154</td>
<td>$140</td>
</tr>
</tbody>
</table>

*Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023*

The regional per pupil analysis paints a clearer comparative picture of where new Tier dollars are going under the EBF. One interesting data point that emerges from the regional analysis is that, while CPS received the smallest average, per pupil allocation of new Tier funding, it nonetheless consistently had one of the largest per pupil Adequacy Funding Gaps of any region.

### 4.4. Distribution of New Tier Funding by Race & Ethnicity

The distribution of new Tier funding under the EBF by race and ethnicity shows that the statute is working to redress historic inequities created by the state’s prior K-12 funding system. But similar to the regional data, just considering percentage share in aggregate new Tier funding by race and ethnicity does not provide a complete picture of how well the EBF is working.
For instance, as shown in Figure 21, the largest share of new Tier funding went to students who identified as Latinx during the first two years of the EBF’s implementation, FYs 2018 and 2019. However, by FY 2020, the share of total EBF funding distributed to white students exceeded total funding distributed to Latinx students.\(^{127}\)

**Figure 21**
**Distribution of New Tier Funding by Race/Ethnicity, FY 2018 – FY 2023**

Meanwhile the share of total, new Tier funding distributed to Black students remained relatively stable from FY 2018 until FY 2022, then dipped noticeably in FY 2023. The primary reason for that reduction in share of new Tier funding going to Black students was the movement of CPS to Tier 2 in FY 2023, after having been a Tier 1 district in all years prior.

Reviewing the per pupil distribution of new Tier funding under the EBF by race and ethnicity provides a clearer picture of how the EBF is working to counter the historic inequities that pertained under the state’s former, foundation-level approach to funding public education. As shown in Figure 22, per pupil distributions of new Tier funding have annually been greater for Latinx and Black students than for white students.\(^{128}\)

Asian students, on the other hand, have consistently received per pupil distributions of new Tier funding that are less than the per pupil distributions to the other major racial/ethnic groups.\(^{129}\) The reason for this differential is that, as of FY 2023, 30 percent of all Asian students attend school in Tier 4 districts, which are the best funded districts in the state, having more than 100 percent of their respective Adequacy Targets in state and local resources.\(^{130}\) This is by far the greatest percentage of any race or ethnicity attending Tier 4 schools.\(^{131}\)

On the flip side, only 29 percent of Asian students attended schools in Tier 1 districts in FY 2022, which are the least funded districts in the state. That is by far the lowest percentage of any of the major racial or ethnic groups attending Tier 1 schools, with white students coming in at 39 percent, which is the second lowest percentage of any major ethnic or racial group that attended Tier 1 schools in FY 2022.\(^{132}\) Meanwhile fully 69 percent of all Black and 66 percent of all Latinx students attended Tier 1 schools in FY 2022.\(^{133}\)

Overall, 87 percent of new Tier funding under the EBF has gone to educating, on average, 66 percent of the Black students in the state and 64 percent of all of the Latinx students in the state.\(^{134}\)
Given the distribution of Asian students, as opposed to students from the other major ethnic and racial groups, across the four Tiers, it is understandable that per pupil distributions of new Tier funding has consistently been lower for Asian students than their peers.

The fact that per pupil distributions of new Tier funding in each fiscal year have been greater for Black and Latinx students than the corresponding per pupil distributions for white students is an outcome that is both logical and needed in Illinois—because, as detailed more fully in Section 5 of this Report, the Adequacy Funding Gaps by race/ethnicity that were created under the state’s prior school funding formula for Black and Latinx students were much greater on a per pupil basis than were the per pupil Adequacy Funding Gaps created for white students.¹³⁵

This means the distribution model under the EBF is helping make up for the state’s historic underfunding of schools attended by Black and Latinx students, and hence demonstrates that the EBF is effectively countering the structural racism inherent in the state’s former approach to school funding.

That said, the data also demonstrate that the EBF is likewise working to the benefit of white students who attend districts that have resources below their respective Adequacy Targets, given that the greatest overall share in new Tier funding under the EBF to date has gone to white students, who comprise the greatest number of students of any racial group attending underfunded districts.¹³⁶ This makes the EBF one of those rare policy initiatives that generates a true win-win scenario system-wide.

### 4.5. Distribution of New Tier Funding by Low-Income & EL Status

One of the core rationales behind the Tier-based distribution model created in the EBF was to prioritize the allocation of new Tier funding to those districts that were furthest from having resources that satisfied their respective Adequacy Targets. Given the disproportionate share of the total ASE of low-income students attending
Tier 1 and Tier 2 schools—63 percent and 28 percent, respectively—the EBF’s distribution model also assured that most new Tier funding in any given year would go to educating low-income students.137

As shown in Figure 23, the data confirm that low-income students have been the primary beneficiaries of new Tier funding under the EBF, receiving nearly 60 percent of such new funding from the inception of the EBF in FY 2018 through FY 2023.138 English Learners have also benefited under the legislation, receiving an estimated 17 percent of new Tier funding each year, as also shown in Figure 23.

Figure 23
Percentage of Total New Tier Funding Dedicated to Educating EL & Low-Income Students, FY 2018 – FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023

When analyzed on a per pupil basis, the data shows that funding for EL students improved significantly since the EBF was implemented. For example, as shown in Figure 24, an average of $221 per pupil in new Tier funding each year went to the education of EL students, while an average of approximately $201 per pupil went to the education of low-income students.139
5. Adequacy Funding Gaps

5.1. Adequacy Funding Gaps by Tier

Figure 25 shows the respective Aggregate Adequacy Funding Gaps for Tiers 1 and 2 from FY 2018 through FY 2023, and the statewide Aggregate Adequacy Funding Gap for Illinois. One clear sign that the EBF is working as intended is the $1.53 billion reduction in the statewide Aggregate Adequacy Funding Gap that occurred over the FY 2018 through FY 2023 sequence, during which time the Aggregate Adequacy Funding Gap declined from $5.21 billion in FY 2018 to $3.68 billion in FY 2023.\(^\text{140}\)

Note that, even though the districts in Tier 3 have less than 100 percent of their respective Adequacy Targets in combined state and local resources, a district is deemed to be fully funded under the EBF when it reaches 90 percent of its Adequacy Target in state and local resources.\(^\text{141}\) Since all districts in Tier 3 have between 90 and 100 percent of their Adequacy Targets currently funded, districts in Tier 3 have no Adequacy Funding Gap under the EBF, and in fact on average have a very small surplus. Tier 4 districts actually have resources which exceed 100 percent of their respective Adequacy Targets under the EBF, and hence also have surpluses, not gaps.
Figure 25 also shows that the surpluses for Tier 3 and Tier 4 increased slightly between FY 2018 and FY 2023, while the Aggregate Adequacy Funding Gap for Tier 1, as well as for the state as a whole, decreased over that time period. Interestingly, the Aggregate Adequacy Funding Gap for Tier 2 actually worsened between FY 2018 and FY 2023, but this was primarily because CPS moved from a Tier 1 district to a Tier 2 district, and not because funding for Tier 2 districts declined. In fact, if CPS is not included in the calculation, then the Aggregate Adequacy Funding Gap for Tier 1 districts declined by $448 million over this sequence, while the Aggregate Adequacy Funding Gap for Tier 2 districts declined by $455 million. \(^{142}\)

Figure 26 identifies the relative portion of the statewide Aggregate Adequacy Funding Gap in Tier 1 versus Tier 2 over the FY 2018 through FY 2023 sequence. The significant jump in the portion of the Aggregate Adequacy Funding Gap attributable to Tier 2, as well as the decline in the portion of the Aggregate Adequacy Funding Gap attributable to Tier 1, that occurs between FY 2022 and FY 2023 is once again due to the shift of CPS from Tier 1 into Tier 2 during that period. \(^{143}\)
Figure 26
Percent of Statewide Aggregate Adequacy Funding Gap for Tier 1 & 2, FY 2018 – FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023

Figure 27 shows the per pupil Adequacy Funding Gap or surplus by Tier. Not surprisingly, Tier 1 consistently had the greatest per pupil Adequacy Funding Gap, while Tier 4 consistently had the greatest per pupil Adequacy surplus.

Figure 27
Annual Per Pupil Adequacy Funding Gap or Surplus by Tier, FY 2018 – FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023

Figure 27 also shows the average per pupil Adequacy Funding Gap for districts in Tier 1 consistently lessened over the FY 2018 through FY 2023 period. However, the average per pupil Adequacy Funding Gap increased for Tier 2.
districts between FY 2022 and FY 2023. But rather than indicate a flaw in the EBF distribution model, this increase was largely caused by the shift of CPS from Tier 1 in FY 2022 into Tier 2 in FY 2023.\(^{144}\)

### 5.2. Adequacy Funding Gaps by Region

**Figure 28** shows the dollar value of the Aggregate Adequacy Funding Gap broken down by region.

![Figure 28: Aggregate Adequacy Funding Gap by Region, FY 2018 – FY 2023](Image)

**Note that CPS had an average Adequacy Funding Gap of nearly $1.3 billion during each of the first six years of EBF implementation. This is about $400 million less than the average Aggregate Adequacy Funding Gap for Downstate Illinois during the same time period.**\(^{145}\) Of course, CPS is a region that consists of just one district, responsible for educating over 330,000 students, the vast majority of whom—77 percent—are low-income and/or non-white (89 percent).\(^{146}\)

Downstate Illinois, on the other hand, includes some 564 different school districts, which collectively educate 627,000 students, many of which—46 percent—are low-income and/or white (69 percent).\(^{147}\) Given that Downstate districts educate 34 percent of the total ASE in the state, and that 75 percent of all Tier 1 districts are located Downstate, it is not surprising that the dollar value of the Aggregate Adequacy Funding Gap is greater in Downstate than any other region.\(^{148}\)

However, the dollar value of the Aggregate Adequacy Funding Gap by region does not provide a complete picture of the severity of that Adequacy Funding Gap actually faced by districts. This is because Downstate districts, which educate more students than any other region of Illinois, are therefore likely to have the greatest Aggregate Adequacy Funding Gap of any region. An analysis of the Adequacy Funding Gap per pupil in a given region provides a better understanding of the severity of the funding gap faced by districts in that region.
From the inception of the EBF in FY 2018 through FY 2022, CPS had the greatest annual per pupil Adequacy Funding Gap of any region, as shown in Figure 29. Then in FY 2023, CPS realized an unprecedented year-to-year increase in local resources of $338 million, coupled with a decrease in student enrollment of 2.75 percent.\(^{149}\)

The combined impact of those two exigencies both pushed the final Percent of Adequacy for CPS above the Target Ratio, causing CPS to move from Tier 1 into Tier 2, and greatly reduced CPS’ Adequacy Funding Gap, in the aggregate and on a per pupil basis.

![Figure 29](image-url)

**Figure 29**
Annual Per Pupil Adequacy Funding Gap Distribution by Region, FY 2018- FY 2023

Because of those changes—which were local in nature and not a product of enhanced investment under the EBF—in FY 2023, the per pupil Adequacy Funding Gap in both Cook County and the Collar Counties became greater than the per pupil Adequacy Funding Gap in CPS.\(^{150}\) Meanwhile, the annual per pupil Adequacy Funding Gap for Downstate districts consistently ranked as the lowest of any region over the full FY 2018 through FY 2023 sequence.

### 5.3. Adequacy Funding Gaps By Race & Ethnicity

Figure 30 shows the dollar value of Aggregate Adequacy Funding Gap facing students in each major racial and ethnic group.
Figure 30
Aggregate Adequacy Funding Gap by Race/Ethnicity, FY 2018—FY 2023

The greatest Aggregate Adequacy Funding Gap by race and ethnicity is faced by white students. This is, again, not surprising, given that most students in Illinois identify as white.\(^{151}\)

However, similar to the regional analysis, the total dollar value of the Aggregate Adequacy Funding Gap by race and/or ethnicity does not provide a complete picture of the severity of the Adequacy Funding Gap actually faced by students in any particular group. Instead, an analysis of the Adequacy Funding Gap per pupil that is further broken down by race/ethnicity provides a better understanding of the severity of the funding gap faced by students in different racial/ethnic groups.

Figure 31 shows the dollar value of the per pupil Adequacy Funding Gap faced by students in each major racial and ethnic group. As it turns out, Asian and white students face the smallest per pupil Adequacy Funding Gaps, while Black, Latinx, and multiracial students face the greatest annual per pupil Adequacy Funding Gaps.
5.4. Adequacy Funding Gaps By Income & EL Status

Figure 32 shows the dollar value of the Aggregate Adequacy Funding Gap broken down by low-income and EL status.
Low-income and EL students face large Aggregate Adequacy Funding Gaps, which is not surprising given that 93 percent of EL students are educated in Tier 1 and Tier 2 districts, and 89 percent of low-income students are educated in Tier 1 and Tier 2 districts. That data makes it clear that very few low-income and EL students have the advantage of attending school in a district that has either Adequate funding or an Adequacy funding surplus. 

Figure 33 shows the dollar value of the per pupil Adequacy Funding Gap faced by low-income and EL students.

![Figure 33: Annual Per Pupil Adequacy Funding Gap by Low-Income & EL Status, FY 2018 – FY 2023](image)

When the data on race, ethnicity, income level, and EL status are considered together some interesting—and disturbing—patterns merge. For instance, not only do Black and Latinx students face the greatest per pupil Adequacy Funding Gaps by race and ethnicity, but the per pupil Adequacy Funding Gaps they face are nearly equivalent to the per pupil funding gaps faced by low-income and EL students.152

In fact, in FY 2023, the per pupil Adequacy Funding Gap faced by Black students ($2,628) is nearly identical to the per pupil Adequacy Funding Gap faced by low-income students ($2,657), and the per pupil Adequacy Funding Gap faced by Latinx students ($2,830) is nearly identical to the per pupil Adequacy Funding Gap faced by EL students ($2,823).

However, it must be taken into account that Latinx students represent only some of the students who are English learners in Illinois. There are many other races/ethnicities included in the category of students who are English learners. Hence students facing the per pupil Adequacy Funding Gap for EL students are not exclusively either Spanish speaking or Latinx.

The good news is that Figure 33 also highlights how effective the EBF has been in helping reduce the per pupil Adequacy Funding Gaps faced by low-income and EL students. Consider that in FY 2018—the first year of the EBF—the per pupil Adequacy Funding Gap faced by low-income students was $3,695, or $1,037 more than it is this year in FY 2023. Similarly, the per pupil Adequacy Funding Gap faced by EL students in FY 2018 was $3,918, or $1,095 more than the $2,819 it is in FY 2023.
However, it would be disingenuous to say that the declines in per pupil Adequacy Funding Gaps were strictly a result of the EBF’s effectiveness. Other factors that impact the decline in per pupil Adequacy Funding Gaps are shown in Figure 34, and include items such as the unprecedented statewide increase in CPPRT revenue of 87 percent between FY 2018 and FY 2023, the 13 percent growth statewide in EAV and local property tax revenue during the same time period, and the 5.7 percent decrease statewide in student enrollment since FY 2018.

**Figure 34**
Change in Resources and ASE Contributing to Adequacy Funding Gap Decrease, FY 2018 – FY 2023

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 2018</th>
<th>FY 2023</th>
<th>Change Between FY 2018 &amp; FY 2023</th>
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</thead>
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<td>$24,767,904,087</td>
<td>$1,774,701,390</td>
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<td>Aggregate Adequacy Funding Gap</td>
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<td>($3,683,943,831)</td>
<td>($1,523,420,586)</td>
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<tr>
<td>New Tier Funding to Date</td>
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<td></td>
<td>$1,559,254,243</td>
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<tr>
<td>Property Tax Relief Grant to Date</td>
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<td></td>
<td>$153,352,924</td>
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<tr>
<td>Local Property Tax Revenue (Real Receipts)</td>
<td>$14,468,817,533</td>
<td>$16,392,024,677</td>
<td>$1,923,207,144</td>
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<tr>
<td>Local CPPRT Revenue ASE</td>
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<td>$1,268,038,087</td>
<td>$590,921,366</td>
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<tr>
<td></td>
<td>1,959,356</td>
<td>1,847,142</td>
<td>(112,214)</td>
</tr>
</tbody>
</table>

*Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023*

6. Income Quintile Analysis

One major impetus behind enactment of the EBF was to redress Illinois’ historic standing as having one of the most inequitable school funding formulas in the nation, when measured by the income level of students.\(^{153}\) Generally speaking, under the state’s prior school funding formula, districts with the greatest concentrations of low-income students had significantly less in funding per pupil than districts with very low concentrations of low-income students.\(^{154}\) The EBF was intended to reduce that discrepancy by prioritizing distribution of new Tier funding to districts with greater concentrations of low-income students to educate.

To help determine whether the EBF has been effectively accomplishing this intended outcome, the following analysis delineates the impact of the EBF across all school districts—other than CPS—broken down into quintiles (each a “LI Quintile”), predicated on the percentage of low-income students attending each district. Because of its large student population, CPS is considered separately from all other districts in the state to avoid distorting data.

Based on extant low-income student populations of each school district other than CPS, as of FY 2023:

1. **Quintile 1** includes districts that have zero to 22 percent of their student populations identified as low-income;
2. **Quintile 2** includes districts that have 22 to 36 percent of their student populations identified as low-income;
3. **Quintile 3** includes districts that have 36 to 46 percent of their student populations identified as low-income;
4. **Quintile 4** includes districts that have 46 to 68 percent of their student populations identified as low-income; and
5. **Quintile 5** includes districts that have 58 to 100 percent of their student populations identified as low-income.

CPS is categorized on a stand-alone basis and has 77 percent of its student population identified as low-income.
Figure 35 identifies the aggregate number of low-income students attending schools in districts in the respective LI Quintiles.

Figure 35
Number of Low-Income Students by District LI Quintile, FY 2018 – FY 2023

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023

Of course, any new Tier funding a district receives in a given fiscal year is used to educate all the students in that district, not just the low-income students. Figure 36 shows the total number of students attending school in the respective LI Quintiles, whether or not such students qualify as low-income.
One clear indication that the EBF has been working effectively to counter past funding inequities is that most new Tier funding under the EBF has been distributed to districts with student populations that range from 58-100 percent low-income, as shown in Figure 37.
This is not surprising given how the EBF is designed to work, which includes, among other elements, giving extra funding weight to low-income students in the Adequacy Target calculation.\textsuperscript{155}

Overall, including distributions to CPS, $824 million, or 53 percent of the $1.6 billion in total new Tier funding distributed under the EBF has gone to districts that have student populations that are 58 percent or more low-income, as shown in Figure 38.\textsuperscript{156}

**Figure 38**

Total Statewide Aggregate & Average Per Pupil New Tier Funding Since FY 2018, by LI Quintile

![Figure 38](image)

The data concerning Adequacy Funding Gaps confirms that the vast majority of new Tier funding provided under the EBF should in fact go to districts educating student populations that are 58 percent or more low-income, inclusive of CPS. For instance, Figure 39 shows that those districts with greater concentrations of low-income students do in fact have greater Aggregate Adequacy Funding Gaps than districts with lesser concentrations of low-income students.
Similarly, per pupil Adequacy Funding Gaps are greatest for districts with student populations that are 58 percent or more low-income, inclusive of CPS, as shown in Figure 40.

Source: CTBA analysis of ISBE EBF Full Calculations, FY 2018 through FY 2023
7. Conclusion

To date, all the data indicate the EBF is working as intended. Every region of the state has benefited from the new K-12 funding distributed under the statute since its inception in FY 2018. More crucially, the EBF has effectively targeted the vast majority of new education funding to: districts with the least amount of resources in comparison to their respective needs; supporting students who have been historically marginalized; and reducing educational Adequacy Funding Gaps by race, ethnicity, and income that were created under the state’s prior school funding formula.

However, the change in overall Aggregate Adequacy Funding Gaps since FY 2018 cannot be isolated to merely the impact of new Tier funding distributed under the formulas. While the annual new Tier funding is targeting districts and students that have historically been underfunded, local resource growth and changes in ASE have somewhat distorted the fiscal impact of the EBF. Increasing annual new Tier funding from the minimum of $300 million would not only aid in K-12 Education reaching fully funded status, but would also increase the share of state-level resources for districts over local-level resources at a much faster pace.
When determining the Aggregate Funding Gap, no adjustments were made to consider potential future changes in Average Student Enrollment ("ASE") or Local Capacity Target ("LCT"). That said, each time CTBA makes a new projection of the Aggregate Funding Gap, the LCT and ASE used to begin the projection will be modified to incorporate the then current data points therefor.

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