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Fully Funding the Evidence-Based Formula: FY 2026 Enacted General Fund Budget

September 4, 2025

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FULLY FUNDING THE EVIDENCE-BASED FORMULA: FY 2026 ENACTED GENERAL FUND BUDGET

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1. Introduction

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**."[1] The EBF represents best practice in school funding because it ties the dollar amount taxpayers invest in schools to covering the cost of those educational practices which research indicates actually enhance student achievement over time.

The EBF establishes two ongoing metrics for increasing state-level investments in K-12 Education until every district has all the fiscal resources the evidence indicates it needs to educate the specific student population it serves. First, the EBF sets a target of having state-level formula funding for K-12 Education increase on a year-to-year basis by at least $300 million (the "**Minimum Target Level**"). Note that 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.

When the EBF passed, one of the outcomes policy makers hoped to achieve was to shift more of the overall responsibility for funding K-12 education away from local property taxes and to state-level revenue sources under the EBF. The reason policy makers desired to attain that goal is clear from the data. In FY 2018, the year the EBF passed, state-level funding covered 34 percent of the total cost of K-12 education in Illinois, while local sources (which largely make up of property tax revenue) covered 57 percent.[2] Compared to the rest of the nation, that ranked Illinois below the average of 47 percent in state share of education funding.[3] As of FY 2023, Illinois state-level tax revenue covered just 27 percent of total education funding, whereas the nation-wide average state-level funding was 45 percent.[4] However, this is likely due to both an increase in local revenue sources alongside an increase in federal funding from the Elementary and Secondary School Emergency Relief ("**ESSER**") appropriations.[5]

To effectuate the PTRG, the EBF provides that 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 earmarked for 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.[6]

Until FY 2026, the PTRG effectively reduced the state's Minimum Target Level for increased, year-to-year formula funding from the $350 million specified in the statute to $300 million each fiscal year. And that is precisely how the EBF has been interpreted by the Illinois State Board of Education ("**ISBE**") since the EBF was first implemented in FY 2018.[7] However, the PTRG was specifically not funded in FY 2026, and the Illinois State Board of Education was directed to review the efficacy of the PTRG to determine whether it should be continued or eliminated going forward.[8] It remains to be seen whether the PTRG will remain a component of the EBF.

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.[9] However, due to a combination of a 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.[10] The state did get back to satisfying the Minimum Target Level of $300 million in new K-12 funding in FY 2022 and in each fiscal year thereafter, until FY 2026.

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The FY 2026 enacted General Fund Budget appropriates a year-to-year increase of $302 million in total to the EBF, all of which specifically goes to funding the formula, due to the temporary decision to zero-fund the PTRG.[11] This resulted in the lowest aggregate year-to-year increase in funding for the EBF since FY 2021, when no new funding went into the formula at all. However, because of the FY 2026 suspension of the PTRG, the increase in formula funding is substantially on par with prior years.

In addition to creating the minimum target for increasing K-12 funding on a year-to-year basis, the EBF also committed the state to fund the formula fully within 10 years of its initial implementation, which would be June 30, 2027.[12] According to ISBE, at the start of FY 2026, just one year away from the full funding deadline, the EBF was underfunded statewide by some $3.3 billion.[13] The bad news is appropriating the minimum $300 million in new year-to-year formula funding has clearly been inadequate to satisfy the obligation to fund the EBF fully by FY 2027. The worse news is, ***in both FY 2025 and FY 2026, the statewide Adequacy Gap actually increased from the previous year—meaning the state is falling further behind in its effort to fund the EBF fully.***

From FY 2024 to FY 2025, the statewide Adequacy Gap grew by $137 million, from $2.58 billion, to $2.72 billion.[14] From FY 2025 to FY 2026, the Adequacy Gap worsened at a more significant rate, going from $2.72 billion to $3.3 billion, which is a jump of $573 million. The $3.3 billion Adequacy Gap for FY 2026 is the highest since FY 2023.[15] The primary reason for the year-to-year increases in the statewide Adequacy Gap that occurred over the last two fiscal years was the concomitant year-to-year declines in revenue from the "Corporate Personal Property Replacement Tax" ("**CPPRT**").

The CPPRT is a tax levied on business profits that funds various units of local government, including school districts.[16] Over the FY 2022 through FY 2024 sequence, the amount of statewide CPPRT revenue that went to funding school districts jumped by an unprecedented 255 percent.[17] For context, over the preceding seven years, the revenue from the CPPRT changed by an average of just -0.1 percent per year.[18] These unprecedented increases in CPPRT revenue that occurred during and immediately after the COVID-19 pandemic were both temporary and unsustainable.[19] For more information on the causes and impacts of the short term, unsustainable jump in CPPRT revenue, please see CTBA's report latest report on the subject: : "Corporate Personal Replacement Tax Revenue and K-12 Education Funding in Illinois: Volume II."

Although temporary, the bumps in CPPRT did inflate the dollar value of local resources available to school districts, which in turn artificially decreased the statewide Adequacy Gap. However, both the bump in local resources and concomitant reduction in Adequacy Gap caused by the temporary jump in CPPRT revenue were not sustainable. As CTBA predicted in the CPPRT Report, Illinois Department of Revenue ("**IDOR**") data shows that CPPRT revenue in FY 2025 was down statewide by 34 percent on a year-to-year basis.[20] This in turn meant that in FY 2025, the amount of CPPRT revenue available to fund school districts across the state was fully $431 million less than it was in FY 2024.[21] This rapid decline continued in FY 2026, when the aggregate amount of CPPRT revenue that funded school districts dropped by another $881 million from FY 2025 levels.[22]

As CPPRT revenue returned to lower, more sustainable levels that align with its historical growth rate, the temporary boost in local district resources began to dissipate. This in turn pushed many school districts further below their respective Adequacy Targets, while concomitantly worsening the statewide Adequacy Gap.

Given that the EBF has been state law since FY 2018, and that 63 percent of the state's school districts still have less funding than the evidence shows they need to educate the students they serve, the further delay in fully funding of the EBF that will result from the reversion of CPPRT revenue to historical growth levels is troubling.[23]

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To help illustrate how long it may take to get the EBF fully funded, the following sections of this Report project both: when it can be anticipated the EBF will be fully funded if the state continues to increase year-to-year funding at the Minimum Target Level; as well as the increased investment needed to fund the EBF fully on an inflation-adjusted basis by FY 2027, as the statute requires.

2. What Does "Fully" Funding the EBF Mean?

Formula funding under the EBF is based on the amount of resources the statute identifies each school district needs (which is defined in statute as a school district's "**Adequacy Target**") to: implement the research and evidence-based practices that correlate to enhancing student achievement which are delineated in the legislation; and pay for the cost of 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 number of core teachers, guidance counselors, and tier 2 interventionists a particular district needs to enhance student achievement.[24] Many of these elements are adjusted under the formula based on the unique student population the district in question serves.[25]

Most of the elements in the EBF 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.[26]

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.[27] 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.[28]

Next, the EBF identifies how much of a school district's Adequacy Target is already being covered by that district's "Base Funding Minimum" ("**BFM**"), "Local Capacity Target" ("**LCT**"), and CPPRT revenue.[29]

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.[30] Hence in FY 2026, a district's BFM is the total amount of state funding that district received in FY 2025. 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.[31]

The LCT for each district is the dollar amount of its Adequacy Target that school district should cover from its own, local resources.[32] A district's LCT is based primarily on the EAV per student available for it to tax, versus the EAV per student each other district has available to tax. 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 property wealth districts.

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 Corporate Personal Property Replacement Tax revenue for that year.[33] Next, this sum is divided by the district in question's Adequacy Target for the applicable fiscal year, which produces its "**Percent of Adequacy**."[34]

ISBE has determined that to attain "full funding" under the EBF, the state should cover 90% of the aggregate gap (the "**Aggregate Funding Gap**") between: (i) the total amount of state and local school funding received by all school districts that have less than 90 percent of their respective Adequacy

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Targets funded; and (ii) the sum of all Adequacy Targets for all school districts that have less than 90 percent of their respective Adequacy Targets funded.[35] Fully funding the EBF is not set at 100 percent of said gap, because federal support has historically covered anywhere from seven percent to ten percent of all K-12 funding in the state. Given the attacks being made on the federal government's traditional approach to funding K-12 education being made by the administration of President Trump, however, that seven to ten percent funding level could decrease over the next few years.

Moreover, some school districts in Illinois (defined as "**Tier 4**" districts in the EBF), already have local and state resources which exceed their respective Adequacy Targets. That excess does not reduce the aforesaid Aggregate Funding Gap.

3. Appropriating only the Minimum Target Level of $300 Million Yearly Until the EBF is Funded Fully

According to ISBE's FY 2026 EBF calculations, the statewide Aggregate Funding Gap is $3.3 billion.[36] As shown in **Figure 1**, even if Illinois satisfies the Minimum Target Level of new funding every year from FY 2027 forward, it will take until FY 2037 to eliminate the funding gap that currently exists, in nominal, **non-inflation-adjusted dollars**.

FIGURE 1

FULLY FUNDING THE EBF ON A NOMINAL DOLLAR, NON-INFLATION-ADJUSTED BASIS, BY MAKING A $300 MILLION MINIMUM TARGET LEVEL INCREASE ANNUALLY ($ MILLIONS)

	FY 2026	FY2030	FY2034	FY2037
Aggregate Funding Gap Before Annual Distribution	$2,323	$2,121	$921	$21
New Annual Tier Funding Amount	$302	$300	$300	$21
Remaining Aggregate Funding Gap after Distribution of New Tier Funding	**($3,021)**	**($1,821)**	**($621)**	**$0**
Total Nominal Dollars Put into EBF since FY 2018	**$2,481**	**$3,681**	**$4,881**	**$5,502**

Source: CTBA analysis of ISBE EBF Full Calculations

Of course, after adjusting for inflation, the EBF would still not be fully funded by FY 2037. Instead, in real, inflation-adjusted terms, the EBF would remain underfunded by $21 million at that point in time.[37] Indeed, **Figure 2** shows that **if the state continues the practice of increasing year-to-year funding for the EBF at the Minimum Target Level, the legislation will not be funded fully until FY 2039, which is 21 years after the EBF was first implemented—or 12 years past what is required in statute.**

FIGURE 2

FUNDING THE EBF ON A FULLY INFLATION-ADJUSTED BASIS, BY MAKING A $300 MILLION MINIMUM TARGET LEVEL INCREASE ANNUALLY ($ MILLIONS)

	FY2026	FY2029	FY2033	FY2036	FY2039
Aggregate Funding Gap Before Annual Distribution (infl. adj.)	$3,323	$2,643	$1,692	$899	$28
New Annual Tier Funding Amount	$302	$300	$300	$300	$28
Remaining Aggregate Funding Gap after Distribution of New Tier Funding	**($3,021)**	**($2,343)**	**($1,392)**	**($599)**	**$0**
Total Nominal Dollars Put into EBF since FY 2018	**$2,481**	**$3,381**	**$4,581**	**$5,481**	**$6,109**

Source: CTBA analysis of ISBE EBF Full Calculations using Bureau of Labor Statistics ECI historical data

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What if, instead of increasing K-12 funding by $300 million annually in nominal dollars, the state adjusted that $300 million annual increase to account for inflation? There are two major inflation metrics published by the Federal Bureau of Labor Statistics ("**BLS**") that are used to determine how much the cost of products and services increase over time. The first is the Consumer Price Index ("**CPI**"). The CPI is a comprehensive inflation measure that broadly covers the change in price for all goods and services in the economy—from bread to bowling. However, school districts purchase very few goods included in the CPI, which means the CPI is not the best measure for evaluating changes in educational costs or spending over time.

The second major inflation metric is the Employment Cost Index ("**ECI**"). As the name implies, the ECI focuses on changes in the cost of paying compensation to workers over time. The vast majority of school district expenditures are for the salaries and benefits of faculty, administrators and staff. Because of its focus, the ECI is the more accurate metric for analyzing inflationary cost increases that impact school district expenditures over time.[38]

From FY 2025 to FY 2026, change in the ECI was an increase of 1.8 percent. However, in the past 25 years, inflation using the ECI has grown by an average of about three percent each year.[39] So, to keep pace with those historical rates of inflation growth using the ECI, the Minimum Target Level amount of $300 million in FY 2026 would have to be increased by 1.8 percent in FY 2027 and then three percent each year after. This would result in a Minimum Target Level of funding in FY 2027 of $307 million. Similarly, the Minimum Target Level of funding in each subsequent year would have to be increased by a factor of 3 percent, to keep the value of the Minimum Target Level constant in real, inflation-adjusted terms, predicated on historical averages. Each year would require a greater year-to-year increase until full funding is reached.

If: (i) the ECI continues to grow at the average rate it did over the last twenty-five years—three percent—which includes the higher rate of inflationary increase experienced between FY 2021 and FY 2024; and (ii) going forward the Minimum Target Level increase is adjusted annually to account for inflation at that rate; then (iii) it would take until FY 2037 to fund the EBF fully in real terms, as shown in **Figure 3**.

FIGURE 3
FUNDING THE EBF ON A FULLY INFLATION-ADJUSTED BASIS, IF THE ANNUAL $300 MILLION MINIMUM TARGET LEVEL IS ALSO ADJUSTED FOR INFLATION ($ MILLIONS)

	FY2026	FY2030	FY2034	FY2037
Aggregate Funding Gap Before Annual Distribution (infl. adj.)	$3,323,	$2,362	$1,147	$4
New Annual Tier Funding Amount (infl. adj.)	$302	$337	$381	$4
Remaining Aggregate Funding Gap after Distribution of New Tier Funding	**($3,021)**	**($2,025)**	**($766)**	$0
Total Nominal Dollars Put into EBF since FY 2018	**$2,481**	**$3,769**	**$5,226**	**$6,082**

Source: CTBA analysis of ISBE EBF Full Calculations using Bureau of Labor Statistics ECI historical data

Such an inflation adjustment would reduce the period of time it takes the state to fund the EBF fully by two years compared to keeping the increase at $300 million in nominal, non-inflation-adjusted dollars. That said, it would still take 19 years after implementation to fund the EBF fully, which is a full decade longer than required by statute.

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4. Increasing Annual Appropriations by Enough to Fund the EBF Fully in Ten Years from Implementation, after Adjusting for Inflation

To meet the statutory deadline of fully funding the EBF by FY 2027, Illinois would have to appropriate the entire remaining statewide Adequacy Gap left after FY 2026: an estimated amount of $3.1 billion—or more than ten times the current Minimum Target Level—as shown in **Figure 4**.

FIGURE 4
FULLY FUNDING THE EBF ON AN INFLATION-ADJUSTED BASIS IN 10 YEARS FROM EBF ENACTMENT ($ MILLIONS)

	FY 2026	FY 2027
Aggregate Funding Gap Before Annual Distribution (infl. adj.)	$3,323	$3,115
New Annual Tier Funding Amount	$302	$3,115
Remaining Aggregate Funding Gap after Distribution of New Tier Funding	**($3,021)**	**($0)**
Total Nominal Dollars Put into EBF since FY 2018	**$2,481**	**$5,596**

Source: CTBA analysis of ISBE EBF Full Calculations using Bureau of Labor Statistics ECI historical data

Given the state's historic fiscal challenges, and the flawed design of its tax policy which creates a structural deficit in the Illinois General Fund (for more information on the state's structural deficit see CTBA's "**Analysis of Illinois's FY 2025 Enacted General Fund Budget**"), bumping up the usual $300 million per year to a single payment of over $3 billion is not realistic.

However, as shown in **Figure 5**, **if the state could increase the Minimum Target Level from $300 million to $500 million annually, the EBF could be fully funded by FY 2033—which is six years after the date established for full funding under the statute rather than twelve. Taking such action would benefit districts across Illinois, and cut in half the duration of time students would be attending underfunded schools.**

FIGURE 5
FUNDING THE EBF ON A FULLY INFLATION-ADJUSTED BASIS, BY MAKING A NOMINAL $500 MILLION MINIMUM TARGET LEVEL INCREASE ANNUALLY ($ MILLIONS)

	FY 2026	FY 2028	FY 2030	FY 2033
Aggregate Funding Gap Before Annual Distribution (infl. adj.)	$3,323	$2,656	$1,777	$354
New Annual Tier Funding Amount	$302	$500	$500	$354
Remaining Aggregate Funding Gap after Distribution of New Tier Funding	**($3,021)**	**($2,156)**	**($1,277)**	**$0**
Total Nominal Dollars Put into EBF since FY 2018	**$2,481**	**$3,481**	**$4,481**	**$5,835**

Source: CTBA analysis of ISBE EBF Full Calculations using Bureau of Labor Statistics ECI historical data

Note however that if CPPRT revenue continues to decline as previously indicated in this Report, the anticipated date for full funding of the EBF will be pushed further out than indicated in the preceding scenarios, and the impact of enhancing state funding by $500 million annually will be somewhat diminished.

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5. Conclusion

When it enacted the EBF, Illinois put a funding system in place with the potential to ensure every school in the state has the capacity to meet the educational and social-emotional needs of all the children it serves. However, that capacity will not exist until the EBF is fully funded in real terms—after accounting for inflation. Unfortunately, at the current rate of investment, that won't happen until, at best, 2039. Which means another generation of Illinois children will receive an inadequately funded education, at a time when education matters more than ever.[40]

Indeed, all the research shows that making an adequate investment in public education is not only beneficial for students, but for society as a whole.[41] Those states that have done the best job of building the capacity of their public education systems have enjoyed a statistically meaningful advantage in economic growth over states that have not made adequate investments in education.[42] Which means reaching full funding on an inflation-adjusted basis—in *best case scenario* by 2039—is not a very satisfying outlook.

The increases in the statewide Adequacy Gap that occurred in both FY 2025 and FY 2026 were the first to occur in the nine years the EBF has been law. If there is no change in policy, and the state simply continues to make the Minimum Target Level in each fiscal year following FY 2026, the projected full funding date for the EBF will be further delayed.

Given its current, flawed tax policy, Illinois state government lacks the financial wherewithal to enhance its annual investment in the EBF to fully fund the EBF by the statutory deadline—or even within a reasonable period of time thereafter. Building the state's fiscal capacity to invest an adequate amount of funding in education within a reasonable period of time is an urgent matter. Which is why it is imperative that legislators in both parties drop partisan differences and work with the governor to resolve the state's fiscal shortcomings as soon as practicable. Illinois' school children should not have to wait another decade to receive an adequately funded public education.

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ENDNOTES

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[13] CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Year 2025
[14] CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Years 2024 and 2025
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[20] CTBA analysis of Illinois Department of Revenue, FY 2025 and FY 2024 PPRT Disbursements, https://tax.illinois.gov/localgovernments/disbursements/pprt.html
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[23] CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Year 2026
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[33] 105 ILCS 5/, Evidence-Based Funding for Student Success Act, (2017)
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[35] 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.
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