



Analysis of Senate Bill 16 | School Funding Reform Act of 2014

April 2, 2014

BACKGROUND

The goal of any state education funding distribution formula should be to improve statewide student achievement. Created in 1997, the current system of funding distribution (having gone unchanged for nearly two decades) no longer addresses the needs of the state. Funds aren't prioritized to meet today's challenges. The challenges facing the state and its school districts have changed dramatically, but the law governing distributing funds to schools hasn't changed.

For this reason, the Illinois Senate unanimously voted to create an Education Funding Advisory Committee in July 2013 through SR 431 (Manar D-Bunker Hill). The Committee was charged with recommending a funding distribution system that adhered to a core set of goals by February 1, 2014.

On January 31, 2014, after months of discussion, expert testimony and input from a group of stakeholders, the committee released its recommendations to improve how Illinois distributes funds for public education. The recommendations provide a framework for a new distribution system of state funds that more adequately and equitably provides for the needs of Illinois students and educators.

WHAT THE LEGISLATION ADDRESSES

Senate Bill 16 is an attempt to change Illinois' current regressive funding system to a progressive funding system.

Progressive funding means that districts with a high percentage of students who are low-income get more funding from state and local sources than districts with a lower percentage of students who are low-income. Regressive funding means that districts with a high percentage of students who are low-income do not get more funding from state and local sources than districts with a low percentage of students who are low-income.

According to an analysis by the Rutgers Graduate School of Education and the Education Law Center, Illinois has the second most regressive public education funding scheme in the country. This means that high-poverty districts in Illinois get fewer dollars from state and local sources than do low-poverty districts.

The proposal will address this issue by:

- *Creating a single funding formula that provides a simple, straight-forward and equitable means to distribute education funds to Illinois school districts*
- *Prioritizing resources where there is greater student need*
- *Providing greater transparency about how funds are spent at the school level*
- *Phasing in the new funding formula over four years to allow districts to adjust to new funding levels*
- *Better defining and accounting for "local ability to pay"/PTELL*

KEY CHANGES TO THE FUNDING SYSTEM

How the funding system currently functions versus how the funding system will function under the new proposal:

- Under SB 16, education funding would be distributed to school districts using a weighting system that is based on the specific characteristics of each district and balanced against a local district's ability to pay for education programs. The bill balances over 90% of state education spending against local ability to pay

instead of the 44% of education spending balanced against local ability to pay under the current funding system.

- Consistent with conclusions in the report, SB 16 recommends PTELL payments be handled and reported separately to ensure greater transparency within primary State aid allocations.
- To ensure special-needs populations continue to receive the attention and services they need, SB 16 reserves funds for rigorous oversight and support of programming for students with special learning needs.
- The legislation includes a Hold Harmless provision to ease the transition to a new formula for school districts. Districts that receive more dollars under the new funding formula will see an increase phased in over three years, while districts that receive less will see a decrease gradually over three years.
- SB 16 includes greater transparency in school funding by moving to a school-based accounting system that will allow everyone to see how education dollars are spent at a building-level basis. Under current law, citizens can see how much money is spent in each school district but not how dollars are spent within each district.
- The legislation absorbs the Chicago Block Grant into the new weighted system. Under SB 16, all school districts will be treated the same when it comes to the distribution of special education funding. Under current law, Chicago receives the same percentage of funding for a variety of education programs that it did in 1995.
- SB 16 changes how dollars for low-income students are distributed. Under the legislation, low-income students in each school district would be accounted for using a weight in the new formula for each low-income pupil that is multiplied by the square of the percentage of low-income pupils in the district. The legislation also uses Free/Reduced Lunch to determine who qualifies for supplemental low-income dollars, which is in line with the practices of most other states.

NEXT STEP

Now that legislative language is filed, it is time to solicit additional input from teachers, principals, administrators, parents, members of the public and colleagues in both the House and Senate. As the legislation moves through the legislative process, numerous opportunities will be available for public comment on the measure.



SENATE BILL 16

SCHOOL FUNDING REFORM ACT OF 2014

Illinois State Board of Education Meeting

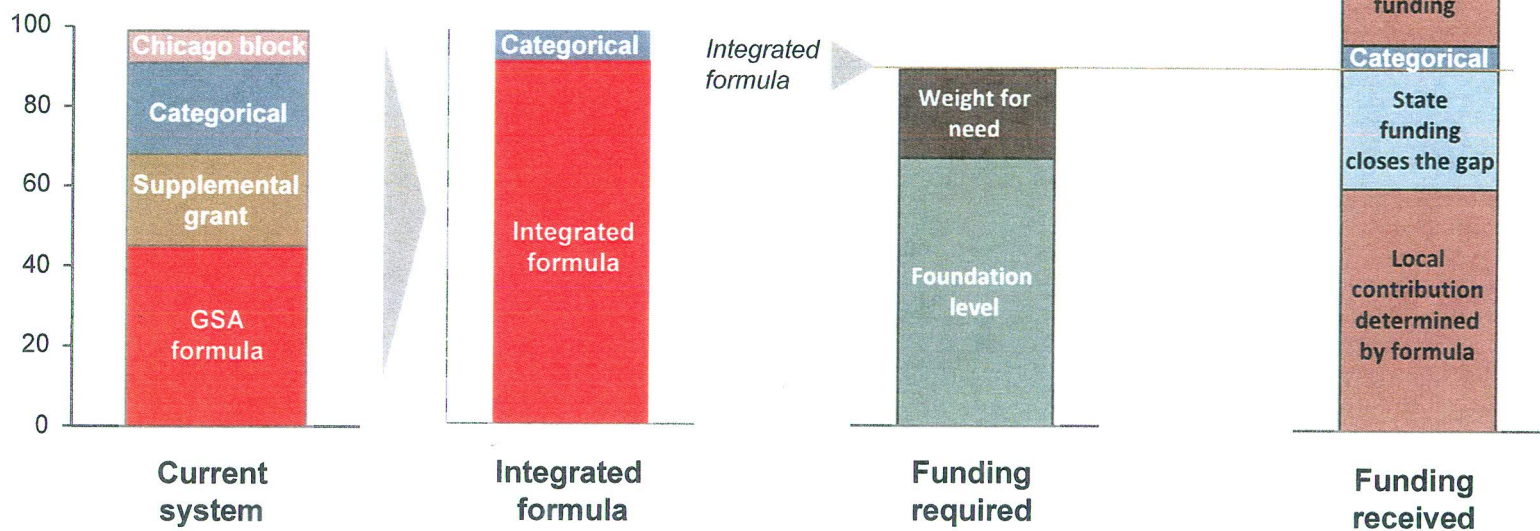
April 9, 2014

An integrated primary State funding formula accounts for student need and local resources

Simplify how state dollars are distributed...

...while funding districts according to student need and local ability to pay

% of state funding



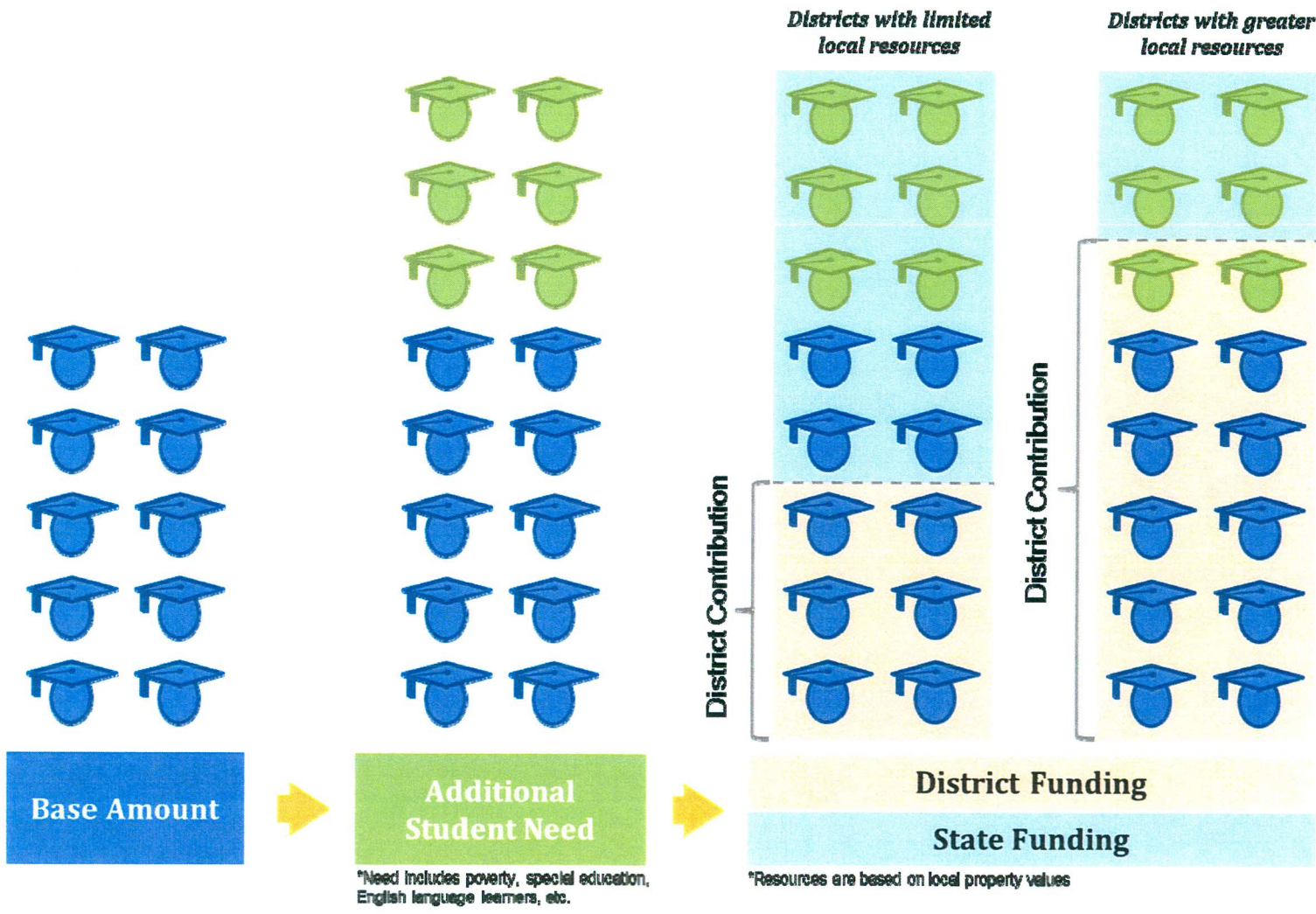
- Combine all GSA and most categoricals and allocate according to a single, transparent, integrated formula
- Ensure distributions are anomaly free

- Foundation level set to provide base adequacy
- Weight for need according to student/district characteristics

- All funds means tested against local wealth
- State funding fills the gap to required amount
- Districts can fund more using local tax revenues

The Illinois School Funding Reform Act of 2014 accounts for both student need and local resources in its distribution of state funds

The Illinois School Funding Reform Act of 2014



Current vs. Proposed Formula

Current General State Aid

- State GSA Payment = (Foundation Level – Available Local Resources Per Pupil) * ADA
- Alternate Formula if district % of local wealth is at least 93% but less than 175% of Foundation level
- Flat Grant of \$218 * ADA if local wealth is at 175% of Foundation Level

Proposed Primary State Aid

- State PSA Payment = (Weighted Foundation Level – Available Local Resources Per Pupil) * ADA
- Flat Grant of 3.5% of Foundation Level; for non-PTELL, may be adjusted to account for local tax effort for Ed and O&M levies
- Flat Grant applies if (Weighted Foundation Level – Available Local Resources) \leq Flat Grant Level

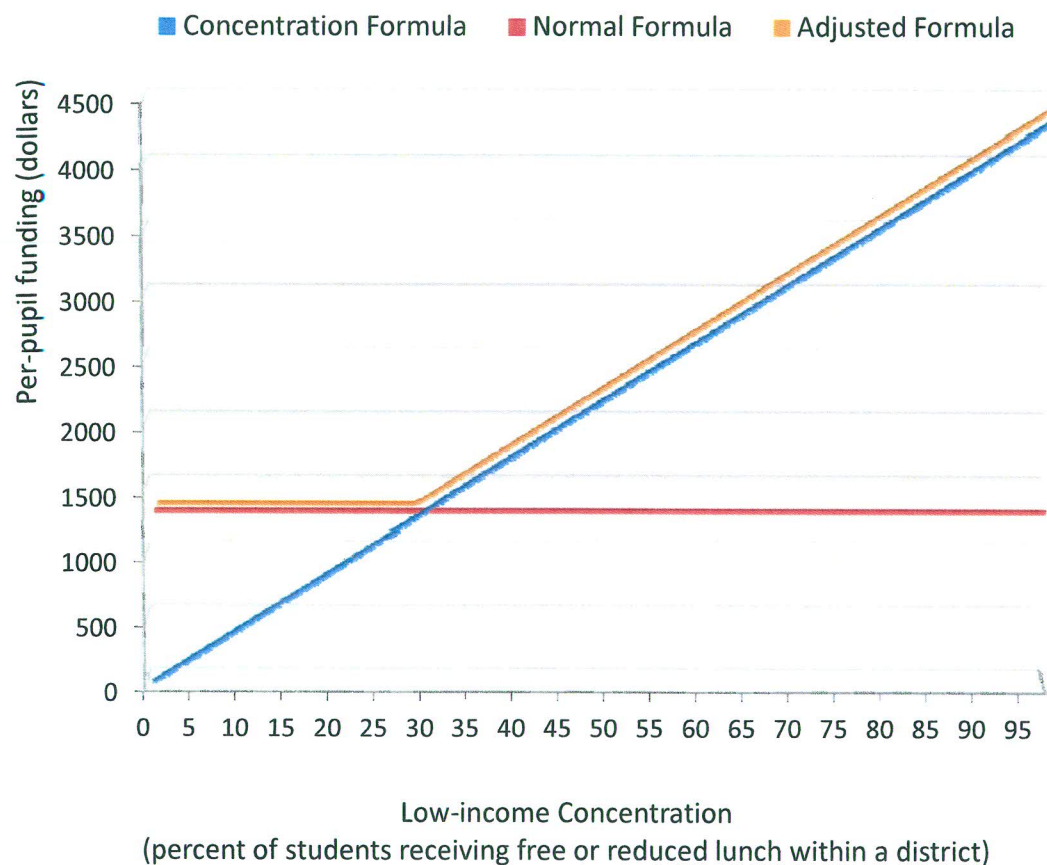
Weighted Foundation Level

- **Weighted Foundation Level** = Foundation Level * District Weighted Average
- **District Weighted Average** = 1.0 + Additional Weights (on a cumulative basis)
- **Additional Weight** = Weighting Factor * Weighting Percentage

Additional Weights

| Category | Weighting Factor | Weighting % | Notes |
|---------------------------|---|------------------------|---|
| English Language Learners | .20 | ELL% | |
| Low-income | .25 - .85, depending on concentration | Low-income % | Low-income: 185% of FPL |
| Special Education | 1.0 | 13.8%; ISBE may adjust | High cost, group home, and Sp Ed Transp. excluded |
| Sp Ed Summer School | .03 | % Eligible | |
| Gifted | .01 | % Eligible | No more than 5% of K-8 |
| High School Outcomes | .02: AP, dual credit .03: Career Pathway | % Eligible | 16-17 SY; only in one category |
| Reg. Transp. | .06 - .10, based on density/sq. mile | % Eligible | |
| Voc. Transp. | .12 | % Eligible | |

Low-income Weight Tied to Concentration



- A district with a poverty concentration that is less than 30 percent, will receive an additional weight of 25 percent above the base amount for every low-income student.
- A district with a poverty concentration above 30 percent will receive an additional weight between 25 and 85 percent above the base amount for every low-income student, based on the district's concentration of poverty

NOTE: Senate Bill 16 makes clear that poverty counts are based upon students who receive a free or reduced-price meal rather than the percent of students who receive services from the Department of Health and Human Services.

Special Education

- **In the Formula:** Weighting fully accounts for three existing line items: Children Requiring Special Education Services, Personnel Reimbursement, Summer School Services
- **Out of the Formula:** Sp Ed Transportation and High Cost Special Education
- **High Cost:** Eliminate current reimbursement disparity between in-district and out-of-district placements, all reimbursed at 3 times per capita
- **Orphanage Tuition:** Maintain separate categorical funding for group homes; include foster children in primary State aid formula

PTELL & Hold Harmless

- **PTELL:** PTELL Adjustment remains, but granted separately to ensure greater transparency within primary State aid calculations
- **Hold Harmless:** Decreases *and* increases from FY 14 levels phased in over 3 years:
 - FY 15: 15% of increase; 15% of decrease
 - FY 16: 40% of increase; 40% of decrease
 - FY 17: 70% of increase; 70% of decrease

Oversight & Accountability

- **ISBE Support:** Dedicated funding for ISBE staff & contractual services for ELL and Special Education oversight and support
- **Reporting:** For each district, reporting of weights and funding attributable to those weights
- **District Plans:** For districts required to complete a District Improvement Plan, budget submitted with the plan must demonstrate budgeting for strategies giving priorities to low-income, ELL, and special education students consistent with weighting
- **CPS School Allocations:** Maintain the current SGSA requirement for \$261M to be distributed to schools pursuant to an ISBE-approved plan
- **School Based Budgeting:** Beginning 2015-16, ISBE institutes a system for accounting for revenues and expenditures at the individual school level