

Understanding the Math of Funding Inequity

A Comparison of Funding Proposals and Their Impact on Equity

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Overview

There is a crippling truth that plagues our state’s education system: Illinois spends less on low-income children than it does on wealthier children. From the Education Trust to the Education Law Center, study after study shows that Illinois has one of the most regressive funding systems in the country, meaning we have one of the greatest gaps between what we spend on low-income children and what we spend on their wealthier peers.^{i,ii}

To overcome the growing disparities in our education system, Illinois must make equity a priority by investing more state dollars in education and better targeting state dollars to Illinois’ neediest students. Otherwise, wealthier students will continue to have access to better prepared and supported teachers, smaller class sizes, better extra-curricular activities, and superior facilities than low-income students.

We consider an equitable state funding system to be one that 1) gets resources to districts based on their students’ needs; 2) consistently takes into account school districts’ local resources when allocating state dollars; 3) uses a single, straightforward model; and 4) funds all districts in the same way, which includes pension parity.

In this analysis, we evaluate legislative proposals on how well they address the first two components of an equitable funding system: equity based on student need (e.g. how many low-income students a district serves), and equity based on local resources (i.e. how much can the district contribute to education). Prioritizing both types of equity is important for ensuring that Illinois’ neediest districts are given the supports they need to educate our students.

The Proposals: Needs-Based Equity Analysis

This legislative session, the General Assembly and the Governor’s office introduced a number of education funding proposals. We evaluated each to assess how well it improves needs-based equity for Illinois schools. The table below summarizes the impact of these proposals on low-income students and their wealthier peers.ⁱⁱⁱ

	Total Change in Funding	Change per Low-Income Student	Change per Wealthier Student	Difference
Governor’s Original Plan*	\$39,193,000	-\$12	\$61	-\$73
Governor’s New Plan (SB3434)	\$142,995,000	\$68	\$86	-\$18
SB231 with Adequacy Grant**	\$278,248,000	\$324	-\$84	\$400
SB231 with Hold Harmless**	\$476,424,000	\$380	\$87	\$293
House Equity Grant (SB2048)	\$750,464,000	\$563	\$210	\$353
Senate Equity Grant (HB2990)	\$759,963,000	\$576	\$206	\$370

*The Governor’s Original Plan is no longer being considered.

**FY15 data used for within-year comparison. SB231 models include \$37 million for special education co-op expenditures.

NOTE: Total cost is based on ISBE’s FY17 forecast spreadsheet and does not include net adjustments. This analysis only includes school districts that are active in FY17 and does not include alternative schools or lab schools. The FY16 Gross Claim + Loss Limit was used to calculate the change in the Governor’s Plans, House Equity Grant and Senate Equity Grant.

The Governor’s proposals use the existing General State Aid Formula to distribute new dollars. The Original Plan fully funded General State Aid so districts would receive their entire claim rather than a reduced amount, as in recent years. The New Plan in SB3434 fully funds General State Aid and also ensures no district falls below its FY16 funding level. Our analysis shows that adding dollars to the existing funding formula actually makes funding more regressive under both plans, as low-income students receive less than their wealthier peers.

This incongruous outcome is largely driven by falling poverty rates that reduced FY17 claims for Illinois’ neediest districts. While declining poverty rates are a positive for the state, low-income districts have been victims of inequitable funding for years, and any loss of funding hurts them hardest. And while SB3434 holds districts harmless to their FY16 funding levels, this provides an incomplete “safety net” as districts only received 92% of their claim that year. In this way, SB3434 provides little help for our neediest students: they receive the better of an underfunded FY16 allocation and a fully-funded, but reduced, FY17 claim.

Senate Bill 231 is a more equitable option, providing \$400 more dollars per student to low-income students than their wealthier peers. While SB231 on its own would reduce funding to wealthier students, the addition of a \$200M hold harmless would mean no district would receive less than it did in 2016, and low-income students would get \$293 more than their wealthier peers. Unlike any of the alternatives discussed here, SB231 also provides a structural fix that would increase equity in coming years, regardless of how many new dollars are invested into education.

The House proposal contained in SB2048 provides additional funding for schools in FY17 in proportion to the amount each received this year for low-income students. This model would improve equity by \$353 per student. The Senate proposal contained in HB2990 would distribute additional funds for low-income students using a new model that takes into account both districts’ low-income students and local resources. While increasing equity, neither proposal provides a long-term solution. They do not ensure that equitable funding will remain a priority in years to come, as they represent one-year proposals rather than structural fixes.

The Proposals: Resource-Based Equity Analysis

Needs-based equity is important, but the state funding system must also consider districts’ local resources to be truly equitable. That is because two districts with the same need may have drastically different local property wealth, and one may be better able to cover more education expenses than the other. The table below summarizes the impact of Illinois’ funding proposals for students in districts with below-average property wealth (less-resourced) and those in districts with above-average property wealth (better-resourced):^{iv}

	Total Change in Funding	Change per Less-Resourced Student	Change per Better-Resourced Student	Difference
Governor’s Original Plan*	\$39,193,000	\$110	-\$77	\$187
Governor’s New Plan (SB3434)	\$142,995,000	\$131	\$17	\$114
SB231 with Adequacy Grant**	\$278,248,000	\$288	-\$7	\$295
SB231 with Hold Harmless**	\$476,424,000	\$303	\$199	\$104
House Equity Grant (SB2048)	\$750,464,000	\$403	\$401	\$2
Senate Equity Grant (HB2990)	\$759,963,000	\$456	\$353	\$103

*The Governor’s Original Plan is no longer being considered.

**FY15 data used for within-year comparison. SB231 models include \$37 million for special education co-op expenditures.

NOTE: Total cost is based on ISBE’s FY17 forecast spreadsheet and does not include net adjustments. This analysis only includes school districts that are active in FY17 and does not include alternative schools or lab schools. The FY16 Gross Claim + Loss Limit was used to calculate the change in the Governor’s Plans, House Equity Grant and Senate Equity Grant.

The House plan does not improve resource-based equity because it only puts resources into the poverty grant, which does not take local resources into account. The Senate Equity Plan provides \$103 more to students in less-resourced districts than better-resourced districts, because it takes into account local resources in addition to poverty when calculating the equity grant.

The Senate Equity Plan, with its increase in resource-based equity of \$103 per student, is nearly as equitable as Senate Bill 231 with a hold harmless and the Governor's new plan, which improve equity by \$104 and \$114, respectively.

Senate Bill 231 without a hold harmless and the Governor's Original Plan provide the most resource-based equity to school districts. This is to be expected as they fully take local resources into account before calculating the state's disbursements and do not have hold harmless grants which protect high-resource districts from cuts. SB231 without a hold harmless improves equity between high- and low-resource districts by \$295. The Governor's Original Plan would provide \$187 more to students in less-resourced districts.

Closing Thoughts

We urge the legislature and the Governor to agree on a proposal that structurally overhauls the way we fund schools to improve education funding equity long-term. Any short-term proposal should also increase equity for our neediest students. Moving forward, Illinois will have to invest more funds into education, and those funds will have to be distributed equitably if we are to ensure that low-income students get what they need to succeed. Even if the most equitable proposal is implemented, it will only begin to fill the large gap between what low-income students have and what they need. Therefore, it is imperative that improving equity is a state priority until Illinois has a fully equitable school funding system.

ⁱ Baker, Bruce, Danielle Farrie, Theresa Luhm, and David Sciarra. *Is School Funding Fair? A National Report Card Fifth Edition*. Education Law Center, 2016.

ⁱⁱ Ushomirsky, Natasha, and David Williams. *Funding Gaps 2015*. The Education Trust, 2015.

ⁱⁱⁱ Advance Illinois analysis; "Preliminary Calculation Variables for FY 17 GSA Forecast," Illinois State Board of Education, Senate Bill 3434; Senate Bill 231; Senate Bill 2048; House Bill 2990.

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^{iv} Methodological notes: The needs-based equity analysis of each proposal's contribution to low-income and non-low-income students is based on the per-student funding for the plan and DHS% (the measure of low-income students used by the General State Aid formula) for each district. We used the DHS% multiplied by the ADA (Average Daily Attendance) to calculate an estimate of the number of low-income and non-low-income students in each district. We then multiplied this by the per-student funding for each district providing an estimate of the dollars allocated for low-income and non-low-income students in each district. Each value is then averaged for the state by calculating the total funding for low-income students and the total funding for non-low-income students and dividing each number by the sum of the state's low-income students and non-low-income students, respectively.

The resource-based equity analysis of each funding proposal's contribution to low- and better-resourced districts is done similarly. We calculated the total change in funding for districts with above average- and below average Available Local Resources (\$5,206 for the state). We then divided these amounts by the number of students in districts with above- and below-average resources, respectively.