



Budget & Tax Policy Initiative

PRESENTATION TO THE EDUCATION FUNDING ADVISORY BOARD

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The Budget & Tax Policy Initiative (BTPI) at Voices for Illinois Children is committed to producing credible, timely, and accessible analysis of state budget and policy priorities. BTPI is part of the State Fiscal Analysis Initiative (SFAI), a network of state-level non-profit organizations coordinated by the Center on Budget and Policy Priorities in Washington, D.C. SFAI is supported by a consortium of national funders, including the Annie E. Casey Foundation and the Ford Foundation.

Education Funding in Illinois

For several decades, education funding issues in Illinois have been much the same: inadequate state support, heavy reliance on local property taxes, and huge fiscal disparities among school districts.

- In FY 2007, state funding per pupil for elementary and secondary education in Illinois was 32 percent below the U.S. average. Illinois ranked last in the Midwest and 45th nationwide. Local funding per pupil in Illinois was 30 percent above the nationwide average. On this measure, Illinois ranked first in the Midwest and 10th among the 50 states. [Exhibit 1]
- In FY 2007, the difference in total revenue per pupil between Illinois school districts at the 5th and 95th percentiles was about \$9,200, the widest funding gap in the Midwest. In Wisconsin, per pupil funding at the 5th percentile was higher than median funding in Illinois. [Exhibit 2]
- Funding disparities in Illinois vary substantially across types of school districts. In FY 2008, the gap between the 5th and 95th percentiles was about \$10,000 for elementary districts, \$14,000 for high school districts, and \$5,000 for unit school districts. [Exhibit 3]

General State Aid

General State Aid is designed to mitigate fiscal disparities across school districts, but inequalities in property wealth are so great that the overall impact of GSA is limited. Between FY 2001 and FY 2008, GSA increased 44 percent, but school district property tax revenue nearly doubled. [Exhibit 4]

Voices for Illinois Children has continually supported raising the foundation level for General State Aid in accordance with the recommendations of the Education Funding Advisory Board. The most recent EFAB recommendation was \$6,504 in FY 2006. Adjusted for inflation, this would require a foundation level of more than \$7,000 (compared with the actual level of \$6,119 in FY 2010).

We also urge EFAB to recommend full and adequate funding for Supplemental General State Aid — also known as “poverty grants.” In FY 2008, poverty grants accounted for 17 percent of GSA gross entitlement funding. For some school districts, a much larger proportion of GSA came from poverty grants. These districts included Carbondale (68%), Cairo (40%), Chicago (38%), East St. Louis (36%), Springfield (36%), Peoria (33%), and Decatur (32%). [Exhibit 5]

Under current law, ISBE is required to ensure that each school district receives the full amount of its regular GSA before providing funds for poverty grants. If GSA appropriations are insufficient, poverty grants are prorated, which is happening in FY 2010.

State Fiscal Crisis

Unfortunately, the state fiscal crisis makes it highly unlikely that General State Aid will be increased over the next several years. Consequently, we support the State Board of Education’s recommended FY 2011 budget, which would maintain GSA at its current level. We also commend the State Board for including restored funding for the Early Childhood Block Grant and bilingual education, both of which were cut in FY 2010.

In the current fiscal climate, however, enactment of ISBE’s funding recommendations is very uncertain. The projected General Funds budget deficit for FY 2011 is more than \$13 billion. [Exhibit 6] State tax revenue plummeted by about \$2 billion in FY 2009 and is expected to drop by a comparable amount in FY 2010. The state was able use about \$4 billion in federal recovery funds to reduce the deficit in FY09 and FY10, but most of those funds are expiring.

The entire GF budget — aside from mandatory spending for pension costs, debt service, and other statutory transfers — is about \$26 billion. Closing the deficit without new revenue would require spending cuts averaging 50 percent. If ISBE funding were held flat, then everything else in the budget — including higher education, health care, human services, and public safety — would have to be cut by 70 percent. A responsible state budget requires a balanced approach to the deficit, which must involve new revenue.

Reassessing the Structure of Education Funding in Illinois

The current structure of state funding for public schools was first implemented in FY 1999. The General State Aid formula was changed, and the foundation level was increased by 35 percent. The method for providing additional funding to school districts with high concentrations of low-income students was also revised. It is time for a comprehensive reassessment of this structure to ensure that it best meets the needs of students in all areas of the state. Some of the key questions include the following:

- Does the current basis for determining the foundation level — expenditures of low-spending, high-performing schools — provide an adequate standard for school resources? The foundation level is not adjusted for geographic differences in costs, and the same level is used for elementary, high school, and unit districts.
- Are the formula calculation rates for “available local resources” (2.3% for elementary districts, 1.05% for high school districts, 3.0% for unit districts) appropriate? One-fifth of elementary school districts receiving GSA under the foundation formula have operating tax rates *below* the formula calculation rate.
- Does the calculation of Supplemental GSA provide enough resources to effectively address the impact of poverty on a school district?

Education funding reform efforts in Illinois typically focus on raising the foundation level. We need to broaden that focus. We need to ask how to effectively target state funding to school districts with the lowest levels of property wealth and school districts with the highest concentrations of low-income students. And we need to figure out how can we use both existing resources (which are now dwindling) and any possible additional resources (some-time in the future) to improve outcomes for students.

**Exhibit 1: State and Local Revenue for Elementary and Secondary Education,
Midwestern States, FY 2007**

State and local revenue per pupil

	State*	Pct. of U.S. average	Rank	Local	Pct. of U.S. average	Rank	State & local	Pct. of U.S. average	Rank
Illinois	3,707	68%	45	6,569	130%	10	10,276	98%	20
Indiana	5,049	92%	29	4,054	80%	27	9,103	86%	29
Iowa	4,718	86%	34	4,836	95%	22	9,554	91%	26
Michigan	6,693	122%	13	3,957	78%	29	10,650	101%	18
Minnesota	7,679	140%	7	3,241	64%	37	10,920	104%	16
Missouri	3,992	73%	43	4,899	97%	20	8,891	84%	33
Ohio	5,312	97%	25	6,186	122%	12	11,498	109%	14
Wisconsin	5,945	109%	17	4,926	97%	19	10,871	103%	17
U.S. total	5,466	100%	----	5,071	100%	----	10,537	100%	----

State and local revenue per \$1,000 of personal income

	State*	Pct. of U.S. average	Rank	Local	Pct. of U.S. average	Rank	State & local	Pct. of U.S. average	Rank
Illinois	15.91	66%	49	28.19	126%	8	44.10	95%	32
Indiana	25.93	108%	22	20.82	93%	24	46.75	101%	23
Iowa	23.46	97%	32	24.05	108%	18	47.51	102%	20
Michigan	34.22	142%	6	20.23	90%	26	54.45	117%	7
Minnesota	31.29	130%	10	13.21	59%	45	44.50	96%	31
Missouri	19.20	80%	38	23.56	105%	19	42.76	92%	36
Ohio	24.71	102%	26	28.77	129%	7	53.48	115%	9
Wisconsin	26.97	112%	18	22.35	100%	22	49.32	106%	14
U.S. total	24.12	100%	----	22.37	100%	----	46.49	100%	----

* State revenue includes payments on behalf of local school districts (e.g., payments into teacher retirement funds).

In the Census data for Illinois, the corporate personal property replacement tax is counted as state revenue.

Source: U.S. Bureau of the Census

Exhibit 2: Total Revenues Per Pupil for School Districts at 5th Percentile, Median, and 95th Percentile, Midwestern States, FY 2007

	5th percentile	Median	95th percentile	Gap between 95th and 5th	Gap between median and 5th
Illinois	\$7,600	\$9,709	\$16,797	\$9,197	\$2,109
Indiana	7,490	9,215	12,603	5,113	1,725
Iowa	8,971	10,323	16,259	7,288	1,352
Michigan	8,461	9,685	14,406	5,945	1,224
Minnesota	8,951	10,791	14,467	5,516	1,840
Missouri	7,101	8,844	13,794	6,693	1,743
Ohio	8,452	9,972	16,936	8,484	1,520
Wisconsin	10,387	11,837	15,532	5,145	1,450

Source: National Center for Education Statistics

Exhibit 3: State and Local Revenue Per Pupil by Type of School District in Illinois FY 2008

	5th percentile	Median	95th percentile	Gap between 95th and 5th	Gap between median and 5th
Elementary districts	\$7,637	\$10,394	\$18,079	\$10,442	\$2,757
High school districts	9,094	14,586	23,400	14,306	5,492
Unit districts	8,158	9,630	13,377	5,219	1,472

Source: Budget & Tax Policy Initiative, Voices for Illinois Children, based on data from Illinois State Board of Education.

Exhibit 4: Revenue Sources for Public School Districts in Illinois, FY 2001 and FY 2008

	FY 2001 (\$ mill.)	Pct. distr.	FY 2008 (\$ mill.)	Pct. distr.	Pct. change FY01-FY08
Local	10,576	61.9%	15,375	65.0%	45.4%
Property taxes	9,294	54.4%	13,880	58.7%	49.3%
Other local funding*	1,281	7.5%	1,490	6.3%	16.3%
State	5,228	30.6%	6,514	27.6%	24.6%
General state aid	3,058	17.9%	4,398	18.6%	43.8%
Other state funding	2,170	12.7%	2,128	9.0%	-1.9%
Federal funding	1,264	7.4%	1,756	7.4%	38.9%
Total revenue	17,085	100.0%	23,645	100.0%	38.4%

* Includes corporate personal property replacement tax, which is collected by the state.

Source: Illinois State Board of Education

Exhibit 5: Poverty Grants as a Share of General State Aid, Selected School Districts, FY 2008

School district	County	GSA formula calculation (\$ mill.)	Poverty grant (\$ mill.)	GSA gross entitlement (\$ mill.)	Poverty grant as pct. of gross entitlement
Carbondale ESD 95	Jackson	606.3	1,271.2	1,877.4	67.7%
Gen. Geo. Patton SD 133	Cook	1,037.2	1,349.4	2,386.6	56.5%
Cairo USD 1	Alexander	2,675.8	1,802.5	4,478.3	40.2%
City of Chicago SD 299	Cook	677,310.2	413,797.8	1,091,108.0	37.9%
Springfield SD 186	Sangamon	18,761.5	10,790.6	29,552.1	36.5%
East St. Louis SD 189	St. Clair	41,660.2	23,047.8	64,708.0	35.6%
Peoria SD 150	Peoria	28,175.6	14,100.4	42,276.03.4	33.4%
Decatur SD 61	Macon	23,230.6	10,914.0	34,144.7	32.0%
Hazel Crest SD 152-5	Cook	3,202.5	1,314.8	4,517.2	29.1%
Centralia SD 135	Marion	4,555.8	1,770.1	6,326.0	27.8%
Mt. Vernon SD 80	Jefferson	4,609.4	1,695.3	6,304.8	26.9%

Source: Illinois State Board of Education

Exhibit 6: Estimate of State General Funds Budget Deficit for FY 2011

	\$ millions
Carryover deficit from FY 2010	\$5,670
Loss of one-time revenue from FY 2010	
Federal recovery funds	1,600
Pension obligation notes	3,466
Debt restructuring	600
Fund sweeps	352
New mandated spending	
Increase in pension contributions	593
Debt service on pension notes	800
Expiration of inheritance tax	200
Total	13,281

Note: Estimate assumes all other revenue and spending at the FY 2010 level.

Source: Budget & Tax Policy Initiative, Voices for Illinois Children