



70 East Lake Street, Suite 1700
Chicago, IL • 60601
Ralph Martire—Executive Director
Direct: 312.332.1049
rmartire@ctbaonline.org

Foster social and economic justice through advancing fact-based public policy solutions

Issue Brief: Why Illinois Should Adopt an Evidence-Based Education Funding Model

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1. WHY REFORM IS NEEDED— EDUCATIONAL ASPIRATIONS VERSUS REALITY.

Article 10, Section 1 of the Illinois Constitution identifies the goals for the state’s public education system. It specifies that, among other things:

- “A fundamental goal” of the State is the “educational development of all persons to the limits of their capacities”;
- “The State shall provide for an efficient system of high quality public educational institutions and services”; and
- “The State has the primary responsibility for financing the system of public education.”

For the most part, the Illinois Supreme Court has ruled that the goals enumerated in Article 10, Section 1 of the state Constitution are precisely that—goals—not mandated obligations.¹ Which explains why the Illinois Supreme Court ruled that the Constitutional provision which assigns the “primary responsibility for financing” public education to the state, does not require the state to cover at least fifty percent or more of overall school funding.²

Nonetheless, Article 10, Section 1 does clearly establish what state decision makers should aspire to achieve when it comes to public education in Illinois—a system which: is efficient and high quality; has the capacity to allow every person to develop educationally to the limits of her or his capabilities; and is primarily funded at the state level.

So how exactly does the reality of Illinois’ public K-12 education system stack up against its constitutionally established aspirational goals? The short answer is not well at all.

To begin with, when evaluated under Illinois’ own standards, the state’s aggregate investment in public education is inadequate to ensure public schools can cover the cost of providing a meaningful educational opportunity to every child.

How inadequate? Consider that Illinois’ current starting point for K-12 funding is the “Foundation Level”, which is the minimum per pupil spending amount set by law annually. The Foundation Level is supposed to cover most of the basic costs of educating a “non-at-risk” child, that is, a child who has a reasonable likelihood of academic success. In education policy, a child is considered “at risk” of academic failure if that child has special needs, is low income, or is an English Language Learner (ELL).

The Foundation Level for FY2017 is set at \$6,119 per pupil, an amount that has not changed for eight years.³ Which means that, while the costs of educating children have risen over that period, after inflation the state’s Foundation Level has declined, losing 15 percent of its value by FY2017—or \$915 per student—since it was first set.

Even more troubling than this loss of real value, however, is the fact that the Foundation Level is not now, and has never been, based on any actual costs of educating students. Instead, it simply represents a political calculation of what decision makers believe the state’s fiscal system can afford to allocate to K-12 education in a year, given the other demands placed on General Fund tax revenue to cover the cost of items like healthcare, social services, early childhood education, public safety, higher education and debt service. By completely divorcing education funding from the actual cost of educating children, Illinois has effectively implemented a school funding regime designed to frustrate the state’s admirable constitutional goals for public education.

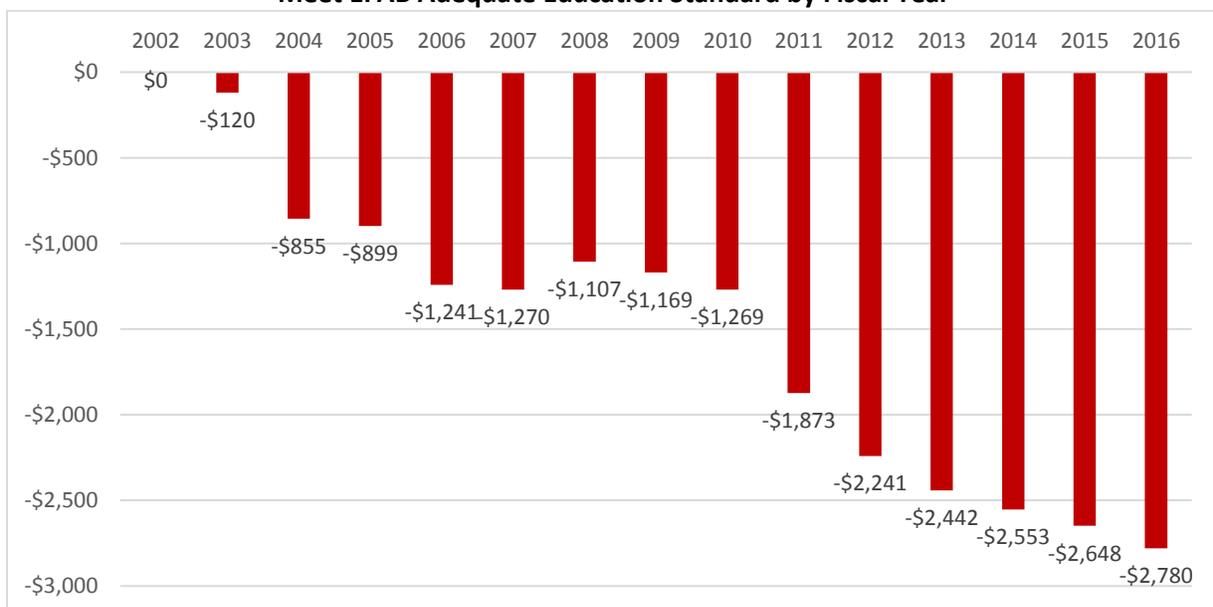
Recognizing this problem, decision makers created the Education Funding Advisory Board or “EFAB”, in December 1997.⁴ EFAB’s mission was to encourage the Governor and General Assembly to utilize a basis for school funding that’s more closely aligned with the actual costs of educating children. Hence, EFAB was given the statutory obligation to recommend a Foundation Level of per pupil spending that would be sufficient to cover the cost of an “adequate” K-12 education. “Adequacy” for purposes of the EFAB recommendation was defined as an education of sufficient quality to get two-thirds of the K-12 students in Illinois who are not “at-risk”, passing the state’s standardized tests.

It should be noted that the definition of “adequacy” for purposes of making the EFAB recommendation is quite limited in nature, because even if it was fully funded, it would not generate the resources needed to educate all K-12 children in Illinois. For instance, it does not include the cost of educating “at-risk” students, thereby excluding the cost of educating Illinois children who happen to be poor or learning English, or who have special needs. In fact, the EFAB recommendation, by definition, doesn’t even cover the cost of educating one-third of the state’s students who are not at risk, and hence have a reasonable likelihood of academic success.

Now for the eye-opener. Despite how limited the definition of adequacy under the EFAB recommendation is, the state has never set the actual Foundation Level at a dollar amount sufficient to satisfy it.

As shown in Figure 1, in FY2003, the state’s actual Foundation Level was \$120 less per child than the EFAB recommendation. By FY2016, Illinois’ actual Foundation Level fell to \$2,946 less, per child, than the EFAB recommendation. When this differential is run through the current school funding formula, it shows that overall K-12 funding in Illinois was nearly \$5 billion less than what was needed to meet the EFAB recommendation in 2016.⁵

FIGURE 1
Dollar Shortfall in Per-Pupil K-12 Education Funding to Meet EFAB Adequate Education Standard by Fiscal Year



Sources: CTBA analysis of Education Funding Advisory Board, “Illinois Education Funding Recommendations”.

This consistent failure to fund the EFAB recommendation demonstrates how woefully inadequate total K-12 funding is in Illinois. Indeed, the current Foundation Level of \$6,119 per child generates an aggregate amount of school funding that not only omits the cost of educating at-risk students entirely, but also is around \$5 billion less than what'd be sufficient to meet the educational needs of two-thirds of Illinois' non-at-risk children.

To compound things, in addition to being inadequate, Illinois also has one of the most inequitable public education funding systems in the nation. In fact, Illinois recently received the failing grade of "F" in a national report card that evaluated the relative fairness of the 50 states' respective school funding systems.⁶ The primary reason for this inequity is the overreliance on local property taxes in the state's school funding system. Illinois—which has the fifth largest population and economy of any state⁷—nonetheless ranks 50th—last—in the nation in the percentage of education funding that comes from state (28 percent) rather than from local (63 percent) tax revenues.⁸ Illinois' significant overreliance on property taxes results in an education funding system in which wealthy districts alone have the fiscal capacity to fund schools adequately, while most middle- and low-income districts do not. Indeed, gaps in education spending between low income and wealthy school districts in Illinois are among the very worst in the country.⁹

The bottom line is clear, the state's current school funding system is the most material reason why Illinois fails to satisfy **ANY** of the goals for public education specified in Article 10, Section 1 of its State Constitution.

2. WHY A SHIFT TO THE EVIDENCE BASED MODEL WOULD CREATE AN EQUITABLE AND ADEQUATE SCHOOL FUNDING FORMULA.

To address both its inadequate and inequitable approach to school funding, Illinois should move to a funding system based on the **Evidenced Based Model (EBM)**. Developed by Allan Odden at the University of Wisconsin – Madison, and Lawrence O. Picus at the University of Southern California, the EBM is designed to identify the level of funding needed to deliver an adequate education to every student in a state.¹⁰ Because the EBM is sensitive to each child's needs, it also ensures that the distribution of education funding is equitable, and accounts for the cost of overcoming "at risk" factors.

Contrast the approach taken under the EBM to the state's current, Foundation Level funding method, which ignores the costs of educating children and instead sets a per pupil funding amount that is based on what decision makers determine the state can afford. The EBM on the other hand determines per-pupil expenditures by identifying how much research-based "best practices" cost, given a state's overall and regional labor market and other cost factors. The EBM identifies and costs-out those educational practices which the research shows:

- Actually enhance student achievement overtime;
- Reduce drop-out rates;
- Improve school climate while reducing disciplinary problems;
- Enhance High School graduation rates;
- Enhance college enrollment and completion;
- Meet the social/emotional needs of students from varied backgrounds; and
- Help create a K-12 system with the capacity to provide an education of sufficient quality for all students to graduate High School college and career ready, irrespective of income, race, or ethnicity.

By focusing on school "inputs" or programs like class size or instructional support, the EBM facilitates investment in those best practices that have a statistically meaningful correlation to enhancing student achievement over time—especially for low-income and/or ELL students.

Examples of the research-based practices that are funded under the EBM include (but are not limited to):

- Reducing class size for K-3 to no more than 15 students per classroom;
- Retaining instructional coaches/facilitators/mentors;
- Tutoring;
- Specialized instructional resources for ELL;
- Technology;
- Professional development;
- Full day Kindergarten;
- Parent outreach;
- Wrap around services;
- After school and extended day programs; and
- Guidance counselors, nurses and school psychiatrists.

The EBM works by identifying the cost of various research-based programs and practices like those referenced above, and then adjusts those costs to account for total student population, as well as the socio-economic demographics and special needs populations of each school district.¹¹ Hence, funding levels vary from district to district, based on what the research indicates is sufficient to pay for the educational practices needed to meet the needs of the student population being served by the school district in question. This means schools with larger ELL and/or low income student populations, for instance, automatically receive the additional funding required to meet the educational needs of those students.¹²

3. DOES THE EVIDENCE BASED MODEL TAKE AWAY LOCAL CONTROL?

No. Even though the funding is tied to what the evidence shows works, local schools retain the right to apply funding received under the EBM to those research-based practices which best satisfy their local needs. For instance, a school could choose to devote more of its new resources to extended-day or school-year programming than it does to instructional coaches. But that is fine given that all those items are supported by the research.

4. IS THE EVIDENCE BASED MODEL ACCOUNTABLE AND EFFICIENT?

Yes—on both counts and by design. In fact, by tying funding to those educational practices that the evidence demonstrates work, the EBM ensures schools have precisely the resources needed to educate the children they serve—and not a penny more. Hence if passed into law, this reform will benefit not only the students who attend the schools that receive the new, evidenced-based investments, but also the taxpayers who fund them.

Better yet, taxpayers will have the confidence that the investments made under the EBM will lead to improved student achievement overtime, precisely because those investments are tied to what the research has shown works to accomplish that goal. Indeed, once passed, the EBM will create the basis for developing a much more accurate, useful, and informative system of accountability for K-12 education than what Illinois currently has in place.

Here is why. Under the current accountability system, there is no way to evaluate objectively whether a given school district is either: (i) implementing the evidence-based best practices that have a statistically meaningful correlation to enhancing student achievement over time; or (ii) has the resource capacity to do so. Given that lack of information, it is not possible to explicate why a district that is generating less than desirable student outcomes is doing so. This frequently leads to false negatives under the current accountability system, as a district can be labeled as “failing”, yet it never had the resources needed to generate the student outcomes desired.

The EBM changes that, by providing accurate information which allows an objective analysis of both the overall resource capacity of a district, as well as whether its educational policy decisions comport with evidenced-based best practices. If a district generating less than desired student outcomes does not have adequate resource capacity, then the failure is

one made by the state in not fully funding the EBM. If on the other hand a district had adequate capacity but failed to implement evidenced-based best practices, its policy decisions can be improved. Hence, accountability under the EBM could be designed as a system that is informative and corrective, and that supports continued improvement in practice, rather than one, like the current system, that is inadequately informed, punitive in nature, and generates false negatives.

5. HOW IS THE EVIDENCE BASED MODEL DIFFERENT FROM PAST EFFORTS AT EDUCATION FUNDING REFORM?

It is significantly different, because it ties education funding to what the evidence indicates is needed to generate the improvement in student achievement that is desired—which is something none of the education funding reforms previously proposed in Illinois did. Indeed, the actual cost of funding the type of education children need to succeed is typically not even considered by most current K-12 education funding systems nationally, including Illinois'. The truth is educational funding at the state level is very rarely connected to the educational needs of the students served—and is too often tied to local property wealth and what state decision makers believe their respective fiscal systems can afford. This problem with state-level school funding systems was acknowledged by the Nixon Commission on Education back in 1972!

6. WHY IS THE EVIDENCE BASED MODEL NEEDED NOW?

Because educational achievement and attainment are more closely correlated with economic viability and individual capacity to engage in civic life than ever before.

Consider that, in 1979, college graduates earned 23.5 percent more than those with a high school diploma; by 2011 the gap had grown to 46.9 percent, a 23 percentage point increase.¹³

Moreover, according to the Bureau of Labor Statistics (**BLS**), in 2014, the unemployment rate for U.S. workers with a bachelor's degree was 3.5%, and just 1.9% for workers with a professional degree. Meanwhile, high school grads had a 6% unemployment rate, but for drop-outs, the unemployment rate ballooned to 9%.

BLS data also showed that in 2014, weekly earnings of a worker with a Bachelor's degree were \$1,101 compared to \$668 for high school grads, and just \$488 for drop-outs.

But as education is becoming more correlated with economic viability, Illinois has been disinvesting in K-12 education generally, and, as discussed previously in this report, has specifically failed to provide what the evidence shows is needed for its low income, minority, and English language learners to achieve academically.¹⁴

Illinois' failure to invest in those educational practices which the research shows will enhance the academic achievement of "at-risk" students is a significant problem, given that 54 percent of the children attending public schools in the state are low-income, and hence "at-risk" of academic failure.¹⁵ In large urban districts, poverty can be very high. For instance, in Chicago Public Schools, over 86 percent of the children are low income,¹⁶ while in East St. Louis, fully 99 percent come from a low income background. Illinois' persistent under-investment in low income school children has a racial dimension, given that 55 percent of Illinois' African American students live in the five percent of districts with the greatest poverty and lowest property values, while fully 93 percent of Illinois' African American children attend schools where the concentration of low income students is 30 percent or greater.¹⁷

No wonder then, that Illinois has some of the most significant achievement gaps nationally between non-low income and low income students, as well as between African Americans and white children.¹⁸

In addition to the significant percentage of school children who are at-risk because they are low income, a growing number of Illinois school children are at-risk because they are learning the English language or have special needs. Ignoring the educational practices which the research indicates is needed to have the majority of Illinois' children

succeed academically is more ignorance than the state can afford: especially when you consider that solving the problem would generate a positive rate of return for taxpayers and the state.

Consider that if American schools performed comparable to higher-performing nations like Canada in math on the Programme for International Student Assessment or “PISA” exams (the U.S. would have to score approximately 40 points higher), our higher skilled students would produce a faster growing economy, improving GDP over the next 80 years by an amount with a present value of \$70 trillion.¹⁹

- This equates to a 20 percent boost in lifetime earnings for each U.S. worker.
- If Illinois were to boost student achievement on math to the level of Minnesota, the highest achieving state in the nation, Illinois’ state GDP would be some 400 percent greater by 2095.²⁰

The Federal Equity and Excellence Commission found that eliminating the achievement gap between white students on the one hand and African-American and Hispanic students on the other, would add “some \$50 trillion (in present value terms) to our national economy” over the next 80 years,²¹ which translates to roughly \$2.2 trillion more (in present value terms) to Illinois’ economy over the same sequence.

- Simply achieving a 90 percent graduation rate for students of color would add as much as \$6.6 billion in annual earnings to the U.S. economy.²²
- Given that Illinois accounts for around 4.4 percent of the nation’s GDP, a similar improvement in graduation rates for students of color in Illinois could be expected to add \$264 million more annually to our state’s economy.

Indeed, the data are compelling that investing in those educational practices which have statistically meaningful correlations to enhancing student achievement is singularly valuable from an economic standpoint:

- From 1970-2010, there was a strong relationship between the academic achievement of a state’s adult workers and economic growth in that state, with states like Massachusetts, Minnesota, Texas, and North Dakota having both significantly greater levels of achievement and rates of economic growth, while state like Alabama, Mississippi, Utah, and Nevada lagged the nation in both achievement and rate of economic expansion.²³
- According to the Economic Policy Institute, in 2011, high school dropouts on average made 29 percent less (\$8,330) in annual earnings than those with a high school degree.²⁴
- Bottom line, the states with the highest overall “knowledge stocks” (i.e. with the highest high school and college attainment rates) have the highest per capita personal incomes.²⁵

Given how compelling the research in this area is, the final conclusion is inescapable—the EBM will help create the type of world-class education system Illinois needs to provide every child irrespective of race, ethnicity or income class with a meaningful opportunity to learn, and build a brighter economic future for its citizens, and actually satisfy the goals identified in the state Constitution.

ENDNOTES

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