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ANALYSIS OF SB 1947 (Public Act 100-0465): The Evidence-Based Funding for Student Success Act

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About CTBA

Founded in 2000, the Center for Tax and Budget Accountability is a non-profit, bi-partisan research and advocacy think tank committed to ensuring that tax, spending and economic policies are fair and just, and promote opportunities for everyone, regardless of economic or social status.

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1. INTRODUCTION

On Thursday, August 31, 2017, the people of Illinois woke up in the state that had the worst—as in least equitable—K-12 public education funding formula in the country.[1] That night they went to bed in the state that had the best. This historic transformation happened because that afternoon, Governor Bruce Rauner signed Senate Bill (**SB**) 1947—which became Public Act (**P.A.**) 100-0465—into law. This breakthrough legislation incorporates the full "evidence-based model" (**EBM**) of school funding previously contained in SB 1. And while SB 1 passed the General Assembly in May of 2017, it was vetoed by the Governor. To gain the Governor's support, a few, non-school funding related provisions were tacked onto SB 1 in what became the final version of that bill—SB 1947—which the Governor signed.

The Evidence-Based Model incorporated in P.A. 100-0465 represents the best practice in school funding for one simple reason: it ties the dollar amount taxpayers invest in schools to those educational practices which the research shows actually enhance student achievement over time. Hence, after the model becomes fully funded, stakeholders can expect to see: growth in student test scores; improved school climates with reduced disciplinary problems; reduced drop-out rates with corresponding increases in high school graduation and college enrollment rates; and a K-12 system that appropriately serves the social/emotional needs of students from diverse backgrounds. Ultimately, the EBM—again, when fully funded—will 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, geography, or ethnicity.

PA 100-0465 is a significant improvement over Illinois' previous school funding formula for the following reasons:

- First, it ties school funding to the cost of implementing those best practices which the research and/or evidence indicate have a statistically meaningful correlation to enhancing student achievement over time—compare that to the state's prior "foundation formula" approach, which was not based on any actual costs of educating children;
- Second, the EBM identifies the unique amount of resources each individual school district needs, based on the composition of its student population, to implement those best practices—compare that to the state's prior foundation formula, which set a per student dollar level of school funding that was the same for all districts in Illinois, irrespective of the unique needs of the students a district served;
- Third, by tying funding levels to the actual student population each district serves, the EBM—by formula—ensures that funding will be distributed equitably, providing districts with significant low-income, English learner, or special needs populations the capacity the research indicates they need to educate the children they serve—compare that to the state's prior foundation formula system, which not only created an education system that had inadequate resources overall, but was also notorious for having the least equitable distribution of resources in the nation.[2]

As indicated previously, to gain the Governor's signature on the EBM, certain provisions were added to P.A. 100-0465 that involved everything from the creation of state tax credits for donations to cover private school tuition, to establishing a new referendum process for the specific purpose of reducing local property tax funding of K-12 education in certain, more affluent school districts. While these compromise provisions were necessary to gain the Governor's support, they are at best questionable from a sound public policy standpoint.

Following is a brief description of the most salient provisions incorporated in P.A. 100-0465, broken down into the categories of the "Good," the "Bad," and the "Ugly."

2. THE GOOD: REPLACING THE WORST SCHOOL FUNDING FORMULA IN AMERICA WITH THE BEST

(a) The Old Formula.

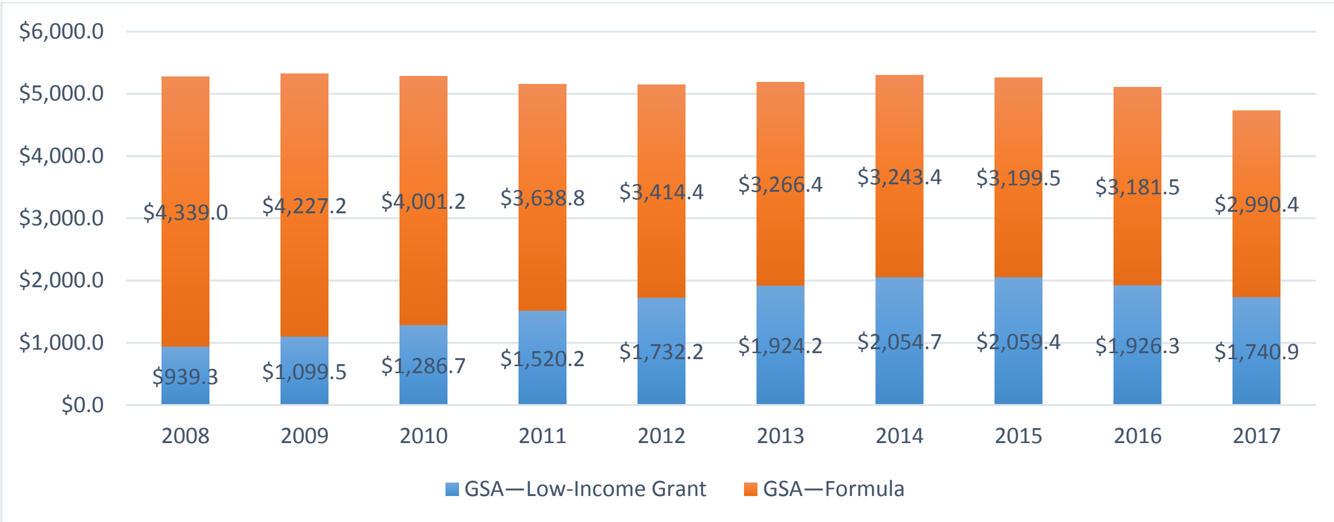
Prior to passage of SB 1947, Illinois' K-12 public education funding formula was not based on any research nor on any actual costs of educating children. Instead, a base, per student amount of public education funding, called the "**Foundation Level**," was set by law each year. Funded through a combination of state and local resources, the Foundation Level was supposed to include most of the basic costs of educating a "non-at-risk" student, that is, a child with a reasonable likelihood of academic success. A student is considered "at-risk" of academic failure if he or she is either low-income or an English learner, or has special needs. The Foundation Level did not take into account any of the additional costs associated with providing a meaningful educational opportunity to these at-risk students. Given that roughly 50 percent of the children attending public schools in Illinois are low-income, the aggregate amount of funding generated by the Foundation Level would always have to be, by definition, less than adequate to meet actual educational needs of Illinois students, without even accounting for the costs of educating English learner and special needs students.[3]

In practice, the Foundation Level of per-pupil funding usually represented a political calculation made by the Governor and General Assembly of what the state could afford, given its fiscal capacity. Hence, not only was state-level funding of K-12 entirely divorced from the actual costs of educating children, but it was doomed to be an inadequate amount, considering the state's long standing and significant fiscal woes. To highlight how significant those fiscal woes are, consider that the accumulated deficit in the state's General Fund is estimated to be over $14.7 billion for FY2017, the state's most recent complete fiscal year.[4]

This confluence of factors resulted in the Foundation Level being set at $6,119 in FY2017.[5] That happens to be the same amount it was set at in FY2010.[6] This means Illinois held the Foundation Level flat—with no adjustments for inflation—for eight years. After adjusting for inflation, the Foundation Level lost 11.5 percent or $796 of its value over that sequence in real terms—even when it was fully funded.[7] This compelled school districts statewide to increase local property taxes to make up the difference, cut current spending on education, or do some combination thereof. The kicker is, the state did not bother to fund the full Foundation Level seven times over the FY2010-FY2017 sequence.[8] Called "proration," this process meant that the state would only fund a portion of the $6,119 Foundation Level, which ranged from 87.1 to 99.9 percent in a given fiscal year—effectively shifting even more of the obligation to fund education down to local property taxes.

The Foundation Level was one of two funding streams which collectively constituted "General State Aid" (**GSA**) under prior law. The second element of GSA was the "Low-Income Grant." It was intended to provide additional resources to schools charged with educating low-income children. However in practice, the grant failed to achieve this purpose. Indeed, as shown in Figure 1, after adjusting for inflation, from 2008 through 2017, for every dollar the Low-Income Grant increased, GSA funding from the Foundation Level decreased. Hence, not only did Illinois fail to provide any additional resources to schools for educating low-income students over this sequence, the state actually cut its funding in real terms for middle-income students.

Figure 1
No Real Increase in School Funding for Poverty Changes in GSA Spending, FY2008-FY2017
($ Millions, Inflation Adjusted)



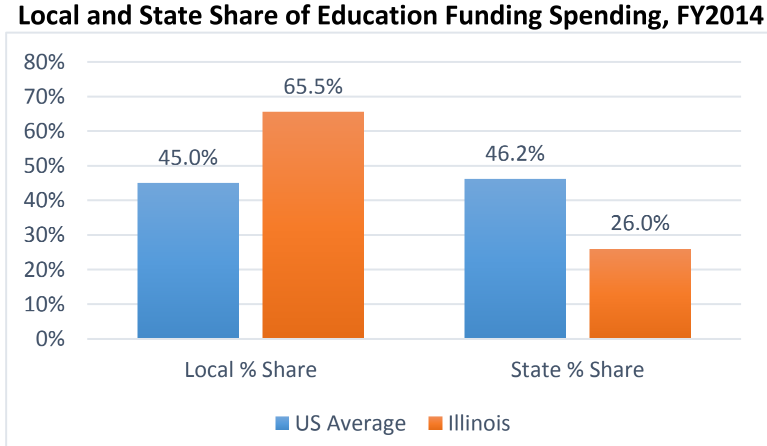
Source: CTBA analysis of ISBE GSA data and BLS ECI data. https://www.isbe.net/Documents/gsa-historical.pdf

Finally, under prior law Illinois supplemented the GSA through a series of mandated categorical items of funding that covered various costs associated with things like transportation and special education.[9] As the name implies, school districts were required to use "mandated" categorical funding solely for expenses incurred in the applicable funding categories.

Illinois' old formula, which consistently generated an inadequate level of overall K-12 funding, affected the state's at-risk student population the most.[10] That is because districts with high property values—which actually have the local capacity to fund education to adequate levels despite the state's failure to do so—also tend to educate very few low-income students.[11] On the flip side, most districts that serve a significant number of low-income students generally do not have the local resources to make up for the state's underfunding of GSA. On top of that, many school districts are subject to property tax caps. The net result: under the prior school funding formula, most school districts in low to middle income communities could not compensate for inadequate state funding by increasing local property taxes, and hence were compelled to scale back the quality of education provided to students.[12]

Because the state Foundation Level has been consistently well short of adequate in amount, and often not even fully funded, a significant portion of the total cost of public education in Illinois is borne by local property taxes. Indeed, as shown in Figure 2, in FY2014 (the most recent data available) only 26 percent of K-12 education costs were covered by state-based funding, while fully 65.5 percent was covered by local property taxes.

Figure 2
Local and State Share of Education Funding Spending, FY2014

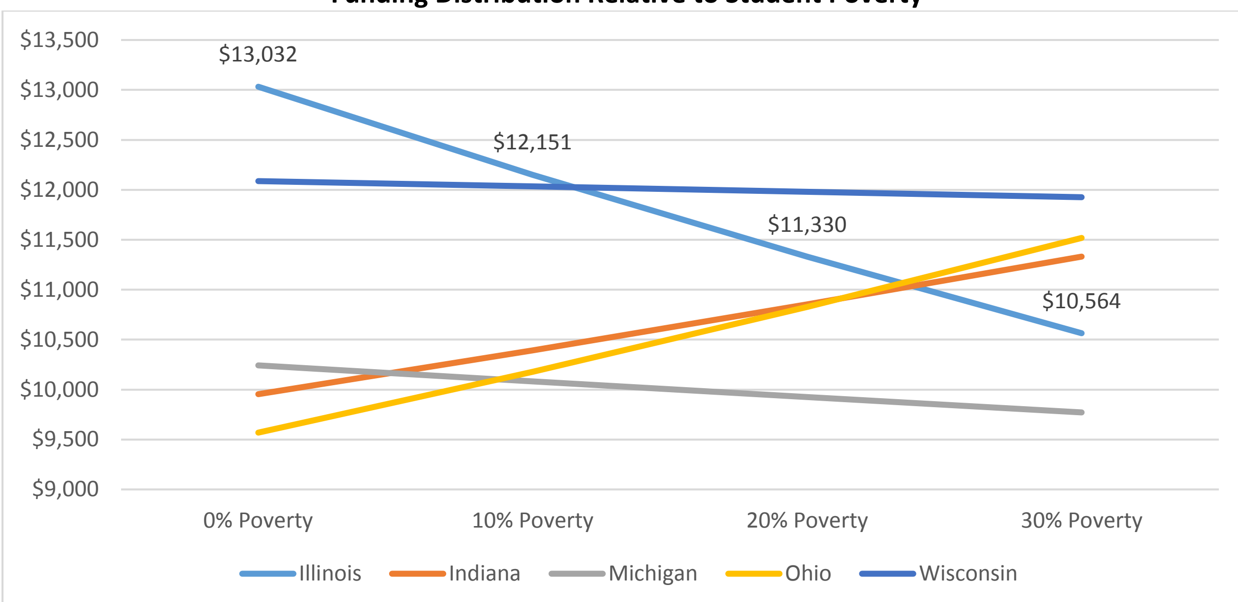


Source: CTBA analysis of U.S. Department of Education, National Center on Education Statistics, 2016. "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2013-2014 (Fiscal Year 2014)"

Illinois is not just an outlier among states in its overreliance on property taxes to fund schools, it is more reliant on using property taxes to fund K-12 education than any other state. This is the primary reason Illinois had the most inequitable education funding system nationally. In Illinois, the quality of the public education a student receives depends almost entirely on the property wealth of the community in which that child lives.

To put the inequities the old system created in context, some of the wealthiest communities in Illinois fund their schools at over $20,000 per student, while others, often just miles away, can barely afford $7,000 per-pupil.[13] Indeed, the confluence of these factors—underfunding of K-12 education from state-based resources and the concomitant overreliance on local property taxes to fund schools—has meant that in Illinois, the opportunity to receive a high quality public education simply has not been available to most children. The proof is in the data: Twenty-six percent of all Illinois students attend fiscally disadvantaged school districts—the highest percentage in the U.S.;[14] meanwhile, under the old Foundation funding formula, as the number of low-income students increased in a district, per-pupil funding fell, as illustrated in Figure 3.

Figure 3
Funding Distribution Relative to Student Poverty



Source: Education Law Center, "Is School Funding Fair? A National Report Card", January 2014, 15p

Figure 3 graphically shows that school districts with low-income student populations of 30 percent or greater received only 81 percent of the per-pupil funding that districts with no poverty received.[15] Illinois' poorest districts had nearly $2,500 less per-pupil to invest in education than the wealthiest districts.[16]

This regressive funding structure also impacted pupil-to-teacher ratios. Once again, under the previous K-12 public education funding system, in Illinois as the concentration of low-income students in a district increased, the pupil-to-teacher ratio also increased. Despite empirical evidence that shows that student achievement increases in smaller classes, especially for students from disadvantaged backgrounds,[17] class sizes in Illinois' poorest districts are generally beyond the range indicated as effective by the evidence.[18]

It should be no wonder, then, that when the Education Law Center at Rutgers University in New Jersey examined the fairness of education funding in each state in the U.S. in 2014, Illinois' regressive funding system earned our state an "F" for fairness of distribution. The bottom line: under the previous funding formula, only children who lived in property wealthy communities were assured of receiving a high quality, rigorous education from their local public school, complete with rewarding enrichment programs like art, music, sports, and theater. Children from low-income and increasingly middle class backgrounds, however, faced a starkly different reality.

(b) The Evidence-Based Model in P.A. 100-0465.

The core aspects of the EBM formula established under P.A. 100-0465 involve:

- Identifying a unique "**Adequacy Target**" of funding needed in each individual school district to implement the research/evidence-based practices that correlate to enhancing student achievement;
- Adjusting the Adequacy Target of a school district by formula, to ensure it is sufficient to meet the needs of that district's actual student population, considering both its total enrollment, and how much of that enrollment is comprised of low-income, special needs, and English learner students;
- Identifying how much of a school district's Adequacy Target is already covered by that district's "**Base Funding Minimum**" (**BFM)**—which is comprised of all state grant funding for education which that district received in the prior fiscal year—hence in FY2018, a district's "Base Funding Minimum" will be the total amount of state grant funding that district received in FY2017 (thereafter, the BFM will be increased annually by all new state funding said district receives under the EBM);
- Identifying a "**Local Capacity Target**" (**LCT)** for each district, which is simply how much of its Adequacy Target a school district should cover from its own, local resources—a district's LCT is based primarily on the relative value of real property available for it to tax, versus the value of real property available to all other districts; and
- Until the EBM is fully funded by the state, identifying how much of the new K-12 funding from state level resources that is devoted to the EBM a school district will receive in a given fiscal year, based on how far away from its Adequacy Target it is, after accounting for its Base Funding Minimum and Local Capacity Target in said year.

Overall, the amount of a district's Adequacy Target is based on the cost of funding 27 difference educational inputs or "elements." These elements, which 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 achievement based on the unique student population it serves, are identified in detail on Appendix A, which is attached to this Report. Most of the elements are research or evidence based, while a few, like maintenance costs, are predicated on statewide averages. The EBM then costs out these 27 elements for each school district to identify the dollar amount of funding that district needs based on that district's total enrollment; and number of low-income, special needs, and English learner students. The amount of funding identified through this formula is defined in P.A. 100-0465 as a school district's "Adequacy Target."[19]

Given the variance in labor market costs across a state as diverse as Illinois, the EBM provides that each district's Adequacy Target will be adjusted based on regional cost factors.[20] However, to ensure districts in lower cost areas of Illinois are able to remain competitive for attracting highly qualified faculty and staff, a floor is placed on the regional cost adjustment of 90 percent.[21] When considered as a whole, K-12 education funding today in Illinois is some $6.5 billion short of what's needed to fund the EBM fully statewide.[22]

After each district's Adequacy Target is computed, P.A. 100-0465 then calculates the LCT for each school district.[23] The LCT identifies how much a school district should be contributing from property taxes towards covering its Adequacy Target. Under the legislation, 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 wealth districts.

One of the core principles supporters of SB1/SB1947 consistently advocated for was that no district should lose state-level funding when the EBM became effective. Hence, the legislation includes a "hold harmless," which basically provides that all grant funding a school district received from the state in the prior year, becomes its Base Funding Minimum in the next succeeding year. In FY2018, the first fiscal year in which the EBM will be in place, a district's BFM will be the sum of the following grants it received from the state in FY2017: Stop Loss

Grant, English Learner Education, Special Education Personnel, Special Education Funding for Children, and Special Education Summer School line items. The BFM for each school district in FY2018, is the sum of those aforesaid grants it actually received in FY2017. Thereafter, each district's BFM is increased annually based on any additional funding it receives from the state under the EBM.

After determining each district's LCT and BFM, P.A. 100-0465 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 for that year. Next, this sum is divided by that district's Adequacy Target for the year in question, which produces its "Percent of Adequacy." Once each school district's Percent of Adequacy is computed, all districts statewide are broken into four tiers:

- **Tier I**—This category includes the districts which are furthest away from their respective Adequacy Targets. In FY2018, these districts have resources sufficient to cover only 64 percent or less of their Adequacy Targets. Tier I districts will receive 50 percent of all new funding the state allocates to K-12 education in FY2018. Under the General Fund budget for FY2018 that passed over the Governor's veto, K-12 education is slated to receive $350 million more in state funding than in FY2017.[24] Hence, 50 percent of that amount, or $175 million, will be distributed to Tier I districts through the EBM in FY2018.
- **Tier II**—This category includes those districts which have resources sufficient to cover between 64 and 90 percent of their respective Adequacy Targets. Under the EBM, Tier II districts will share 49 percent of the new state funding devoted to K-12 in a year with Tier I schools. That means in FY2018, $171.5 million of the $350 million new state-level investment in K-12 will be distributed to Tier II and Tier I districts.
- **Tier III**—This category includes those districts that have resources which cover between 90 and 100 percent of their respective Adequacy Targets. Tier III districts receive just 0.9 percent of the new funding the state allocates to K-12 in a year. Hence in FY2018, Tier III districts will share $2.15 million of the $350 million in new funding distributed through the EBM.
- **Tier IV**—This category includes the most well-off school districts in the state, all of which already have resources which cover at least 100 of their Adequacy Targets. These districts receive just 0.1 percent of all new state-level education funding in a fiscal year. In FY2018, that means only $350,000 of the $350 million in new state funding goes to Tier IV districts.

Note how powerful this distribution mechanism is from an equity standpoint, allocating 99 percent of the new funding for education to those districts that are least adequately funded.

(c) Charter Schools.

While there are a few minor changes in how long a district may grant or renew a charter school, the most significant change in P.A. 100-0465 for charter schools involves how they are funded. Under previous law, school districts could fund charter schools at a rate between 75 and 125 percent of that school district's "per capita student tuition." A district's "per capita student tuition" is how much it spends at the per-pupil level.[25] Under the new legislation, that range is narrowed to between 97 and 103 percent of a school district's per capita student tuition.

The majority of charter schools in Illinois are located in Chicago, and how much, or little, this will cost Chicago Public Schools is still to be determined.

(d) Property Tax Relief.

P.A. 100-0465 creates a property tax relief pool that is primarily targeted at those school districts with high property tax rates and low property tax values.[26] This provision was added to the legislation to help taxpayers in those school districts that have historically chosen to impose high local property taxes to fund education, despite having relatively low property values. While this has helped those communities make up for the state's failure to fund education adequately, it also has placed a significant tax burden on home owners, renters, and businesses. With the state's new commitment to funding K-12 public education adequately, policy makers determined these districts should be entitled to consider receiving some property tax relief from the state going forward.

Under Section 2-3.170 of the legislation, districts in such communities are authorized to apply for a limited amount of property tax relief annually. To qualify as being high property tax/low property value, a district must have an adjusted tax rate that is higher than the estimated "threshold unit equivalent tax rate" as set by the Illinois State Board of Education (**ISBE**). The "threshold unit equivalent tax rate" will be published by ISBE in the summer. This is the rate above which a local district must be taxing its community to be eligible for relief, and the rate itself will vary based on the amount of funding appropriated by the General Assembly for tax relief in a given year and the number of districts that apply for relief.[27]

Eligible districts may then apply to receive a grant from ISBE to cover a portion of the property tax revenue that the district lost by reducing its property tax extension, up to a maximum of:

(A) One percent (1%) of that district's equalized assessed value (**EAV**) for a unit school district; 0.69 percent of EAV for an elementary school districts; and 0.31 percent of EAV for a high school district in each case multiplied by;

(B) The lesser of either the property tax multiplier determined under the statute, or the amount by which the unit equivalent tax rate is greater than the rate determined by ISBE.[28]

The property tax multiplier is one minus the school district's Local Capacity Percentage squared.

(e) Mandate Relief.

P.A. 100-0465 streamlines the waiver requirement process for mandates within the School Code. Instead of requiring that districts submit all waiver requests to the General Assembly for approval, ISBE is given the authority to approve most waiver requests, except in those instances when three of the four legislative leaders flag a request. In those cases, the waiver at issue would have to undergo further consideration before the House and Senate.

The new law also reduces the daily physical education mandate from five to three days and allows student athletes in middle and high school to be exempt from gym class. P.A. 100-0465 also removes some of the restrictions around driver's education, allowing districts to contract with commercial driving schools. It should be noted that while these waivers may provide some financial relief and flexibility to districts, there are questions about the educational efficacy of reducing physical educational requirements, and potentially some equity issues involving access to driver's education.

(f) Tax Increment Finance Reform Task Force.

P.A. 100-0465 creates a taskforce to review current policy on Tax Increment Finance (**TIF**) districts. The task force will be made up of 12 members of the General Assembly, six each appointed by the majority and minority leaders, and will examine the expenditure of TIF surplus funds, the interaction between TIFs and school funding, and the benefits and costs associated with TIFs. The final report is to be completed by April 1, 2018.

TIF districts are created by local governments to encourage public and private investment in a designated area. They are intended to be used to foster private investment in blighted neighborhoods. When a TIF is created, it freezes the EAV in the TIF district available to local taxing authorities—like school districts—for 23 years, at the dollar value of said EAV in the year the TIF was established. If the EAV in the TIF district increases during this 23-year period, the value of that increase goes into the TIF fund rather than being available for schools, parks, libraries, and other taxing government entities. The revenue from the TIF fund is supposed to be invested in developing the TIF district. In Illinois, 536 school districts, or 63 percent, have a TIF district.

(g) P.A. 100-0465 and Chicago Public Schools.

P.A. 100-0465 addresses several issues surrounding Chicago Public Schools (**CPS**), by far the largest school district in the state.

One of the main CPS related changes implemented under P.A. 100-0465 involves funding of the Chicago Teachers Pension Fund (**CTPF**). Prior to the new law going into effect, CPS had the responsibility to cover the cost of funding the CTPF. This is unlike any other school district in Illinois, all of which belong to the Teachers' Retirement System of the State of Illinois (**TRS**). Under the state's various pension laws, state government retained the sole responsibility to fund TRS—meaning every school district in Illinois other than CPS did not have to pay any of the pension costs for its teachers. CPS, on the other hand, did. This meant that taxpayers living in Chicago had to pay the pension related costs for teachers throughout the state of Illinois—but taxpayers living outside the City of Chicago did not have to pay anything towards the pensions of CPS teachers. Based on income tax collections, this meant Chicago taxpayers paid over $300 million into TRS for FY2017, while taxpayers from the rest of the state paid only $12.1 million dollars into CTPF.[29]

P.A. 100-0465 addressed this inequity by amending the Illinois Pension Code so that the normal cost (i.e. the benefit being earned by current teachers) of funding the CTPF—roughly $215 million in FY2018—will now be paid by the state, thereby treating CPS like every other district in Illinois.[30]

It must be noted that this change only concerns the normal cost of the CTPF. CPS still retains the sole responsibility to pay the unfunded liability that has accrued in the CTPF over time. Taxpayers outside of Chicago are not responsible for covering any underfunding of the CTPF.

Since Chicago is still required to pay for the CTPF unfunded liability, and CPS will be making the payment thereof through its local revenue sources, i.e. property taxes, CPS' local financial capacity to cover the cost of meeting its Adequacy Target will be reduced by the dollar amount CPS must expend annually to repay the unfunded liability accrued at CTPF. In FY2018 alone, that payment will be about $551 million.[31] P.A. 100-0465 recognizes this reality by reducing the annual LCT of CPS by the amount of CPS' annual payment of the unfunded liability to CTPF.

Finally, P.A. 100-0465 allows Chicago to raise its property tax levy for contributions to the Chicago Teachers' Pension Fund from 0.383 percent to 0.567 percent.[32] CTBA estimates this will raise an additional $130 million in revenue for CPS.

Yet another education funding quirk that made CPS different from every other school district in Illinois involved the "**Chicago Block Grant**." The Chicago Block Grant was created in 1995, when the Illinois legislature passed P.A. 89-15, establishing the General Education and Educational Services Block Grants for CPS.[33] The Chicago Block Grant was actually two different grants: the General Education Block Grant which provided funding for Agriculture Education, the Early Childhood Block Grant, and the Truants Alternative Optional Education Program; and the Educational Services Block Grant, which provided funding for mandated categoricals ordinarily reimbursed based on statutory formulas—including the Illinois free/reduced lunch program, Special Education - Funding for Children Requiring Special Education Services, Special Education Orphanage, Special Education - Personnel, Special Education - Private Facility Tuition, Special Education - Summer School, Special Education - Transportation, and Regular/Vocational Transportation.[34] The majority of the funding CPS received from the state was from the second grant, the Education Services Block Grant.

The 1995 legislation entitled CPS to a fixed percentage of funding for each program within the grants—based upon the funding for those programs in FY1995.[35] In short, the Chicago Block Grant was calculated based on what the state and CPS looked like in 1995; and had not been adjusted for population and demographic changes since.

P.A. 100-0465 eliminates most of the Chicago Block Grant. The only Block Grants CPS will retain going forward are those that are not a part of the EBM, like early childhood education and transportation. However, the dollar amount CPS received from those eliminated Block Grants in FY2017 are included in CPS' BFM for FY2018.[36] By including those amounts in the Base Funding Minimum of CPS for FY2018, the EBM in P.A. 100-0465 equitably resolves prior issues with state funding of CPS in two distinct ways. First, it ensures CPS does not lose state funding over the FY2017-FY2018 sequence. This is a rational and equitable outcome, given that CPS' BFM in FY2018 is some $2 billion less than its Adequacy Target. Second, however, including that funding in CPS' Base Funding Minimum did nonetheless move CPS closer to its Adequacy Target, thereby reducing the amount of revenue CPS will receive from the $350 million in new formula funding the state has budgeted for the EBM in FY2018.

3. THE BAD: CREATION OF THE ILLINOIS "INVEST IN KIDS" TAX CREDIT

Arguably the most controversial item in P.A. 100-0465 is the creation of a state income tax credit for contributions made to fund tuition at private schools. This is a new program for Illinois, although other states, including Indiana, have similar tax credits for private schools. Essentially, the dollar value of any tax credit earned under this new program offsets, on a dollar-for-dollar basis, the Illinois state-level income tax liability of the taxpayer qualifying for the credit.

Called the "Invest in Kids Credit," donations made by individuals, corporations, or partnerships for funding scholarships to private schools are eligible for a 75 percent credit against Illinois income taxes, up to a maximum of $1 million in tax credits per taxpayer per tax year.[37] Individuals may designate a specific school or group of schools to be the beneficiary of their donation, however, corporations and partnerships may not. Neither individuals, corporations, nor partnerships may designate that the scholarships their donations fund benefit a specific student.[38]

The aggregate cost of this credit to the state in lost income tax revenue is capped at $75 million statewide. Tax credits will be given out on a first-come, first-served basis, so some taxpayers who otherwise would be eligible for the credit may not receive it in a given year. Taxpayers are prohibited from using the same donation that generates a credit under P.A. 100-0465 as a charitable deduction on their federal income taxes.[39]

To have a donation qualify for generating a tax credit, a taxpayer must make that donation to a qualified "Scholarship Granting Organization" (**SGO**). The legislation requires that each SGO be established as a 501(c)(3) tax exempt nonprofit; and utilize at least 95 percent of the total contributions it receives towards issuing scholarships each year.

Custodians of individual students must apply to SGOs to receive the scholarships.[40] To qualify for a scholarship, a student must be a resident of Illinois who is eligible to attend public school in the state. When first applying, a student must live in a household with an adjusted gross income that does not exceed 300 percent of the federal poverty level (**FPL**). For a family of four, that means an annual income of $73,800 or less.[41] Once a student receives a scholarship, the income threshold increases to not in excess of 400 percent of FPL, or $98,400 annually for a family of four. The statute mandates that SGOs give scholarship priority to students who: were a recipient of a scholarship in the previous year, have a household income of less than 185 percent of FPL, live in a district with underperforming schools, and/or have siblings who are scholarship recipients.

If a student is awarded a scholarship, then the SGO will pay the scholarship directly to the private school that student is attending.

The "**base amount**" of annual scholarship any student may receive is predicated on the lesser of either the statewide average of operating costs at public schools, or the actual tuition and fees for the school the recipient is attending. The statewide average cost for public schools can be adjusted for disabilities, English learners, and gifted students. The actual amount of scholarship any eligible student will receive is needs based, depending on household income, as shown in Figure 4.

Figure 4
Scholarship Amounts for Recipients

FPL Percentage	Percentage of Base Amount
Households FPL below 185%	100% of base amount
Households FPL between 185% - 249%	75% of base amount
Households FPL greater than 250%	50% of base amount

The Invest in Kids Credit is ambiguous in certain areas. For example, it requires the Department of Revenue to award credits in a manner "geographically proportionate to" private school enrollment. Exactly how this will be implemented is unclear will it be by county or by a larger regional grouping? And how should this be applied if there are disproportionately more private schools in, for example, the Chicago area than in Metro East? It is also unclear whether corporations and partnerships can fund scholarships based on regions or whether such a designation counts as a prohibited subset of schools.

Assuming the entire $75 million in tax credits are awarded, this will create an annual $75 million loss in revenue for the state. No revenue source has been identified to pay for the scholarship credits, so at the time of publication, one can expect the state to spend $75 million less annually on General Fund services—where $9 out of $10 go to education, healthcare, human services, and public safety—to pay for the scholarship tax credit.

Based on the research to date, CTBA does not support the Invest in Kids tax credit. In fact, after controlling for school type and student demographics, a comprehensive study commissioned by the administration of Republican President George W. Bush found that students who attend traditional, K-12 public schools outperform students who attend both charter schools and private religious schools, irrespective of denomination.[42]

Another problem with the Invest in Kids tax credit is that it will divert taxpayer dollars away from the state's K-12 public schools. Rather than putting tax revenue towards our public schools which are furthest from adequacy, these dollars will be diverted to, in a worst case scenario, often lower performing private religious schools. The Invest in Kids tax credit may slow, or even diminish, student achievement in Illinois over time.

The Invest in Kids tax credit is a tax expenditure that should be reconsidered, since it is using public dollars without providing any clear corresponding public benefit.

4. THE UGLY: PROPERTY TAX REFERENDUMS WILL PIT SCHOOL DISTRICTS AGAINST TAXPAYERS

P.A. 100-0465 allows voters living in a school district that has resources that exceed 110 percent of its Adequacy Targets to hold a referendum to force the district to lower its property tax levy by up to 10 percent of the amount extended in the previous year.[43]

To get the referendum on the ballot, 10 percent of registered voters in the school district must sign a petition. A majority of all votes cast on the proposition are required for the referendum requiring the property tax reduction to pass.[44] If the referendum does pass, then the amount extended by the school district shall be reduced by the amount stated in the ballot for the levy year in which the vote took place. In other words, if voters in a school district which is at 160 percent of adequacy vote to lower their tax levy by 10 percent in November of 2018, then the tax levy for 2018 (which is calendar year 2019) will be lowered by 10 percent.

The consequences of this provision may prove ugly in the typically more affluent communities with schools that are primarily funded by local resources, many of which have the state's best performing schools. If a referendum passes, it will provide local taxpayers some property tax relief, but at the cost of requiring educational spending cuts by the school district. After all, because the district will be in Tier IV, any cut in local funding will not be made up by new state revenue. Moreover, the district may have a hard time meeting obligations under extant labor contracts, along with operations and maintenance expenses that must be paid.

Generally speaking, many families move into communities precisely because the high quality of the local schools—not just academically but also from an enrichment standpoint. Pitting community members against each other in a battle over the desirability of property tax relief versus an excellent school system is counterproductive. This is especially the case given that local school boards are elected in every district in Illinois other than CPS, and hence tend to be responsive to community values.

5. CONCLUSION

Research from industrialized countries across the world has consistently shown that those nations which have been most successful in improving student achievement over time have focused on reforms that build capacity of the overall education system to meet the educational needs of all children. However, attempts to enhance student performance through reforms based on competition and choice have largely failed.[45] For the most part, P.A. 100-0465 does what the research shows works: it implements an evidenced-based approach to funding K-12 public education funding that is designed to build capacity of all school districts across the state in a manner that will boost academic achievement for the students they serve. However, the Invest in Kids tax credit, while only a small part of P.A. 100-0465, does quite the opposite, and hence should be re-thought.

Overall, Illinois has taken a major step forward. Our state education funding system will no longer be an embarrassment as the most inequitable in the country, but a model for other states to emulate. Illinois has moved away from its archaic, inequitable school funding system towards an evidence-based approach that ensures every district in the state receives the support it needs to educate the children it serves. After decades of failing our children, and particularly those in low-income communities and communities of color, Illinois is on a long-term path to a more equitable and evidence-based school funding system. This is a victory for children, their parents, and communities all around the state.

APPENDIX A:

THE ELEMENTS OF THE EVIDENCE-BASED MODEL[46]

1. Core Elementary Class Sizes and Class Teachers: a core teacher is a grade-level classroom teacher in elementary school. The district will receive funding for one core teacher for every 15 low-income students for grades K-3, and one core teacher for every 20 low-income students in grades 4-5; and the district will receive funding for one core teacher for every 20 non-low-income students in grades K-3, and one core teacher for every 25 non-low-income students in grades 4-5.

   Secondary Class Sizes and Teachers: a core teacher is core subject teacher middle and high school (e.g. math, science, language arts, social studies). The district will receive funding for one core teacher for every 20 low-income students for grades 6-12; and the district will receive funding for one core teacher for every 25 non-low-income students in grades 6-12.

2. Specialists Teachers: a teacher who provides instruction in subject areas not included in core subjects, including, but not limited to, art, music, physical education, health, career and technical education. Elementary and middle schools will receive funding for one specialist teacher for every five core teachers; high schools will receive funding for one specialist teacher for every three core teachers.

3. Instructional Facilitators: coordinate the school-based instructional program and provide critical ongoing instructional coaching and mentoring that professional development literature shows is necessary for teachers to improve.

4. Core Intervention Teachers (Tutors): teachers who provide resources for diverse learners, licensed teachers who, during the regular school day, provide one on one or small group tutoring to students who need additional support.

5. Substitute Teachers.

6. Core Guidance Counselors: includes counselors, social workers, psychologists, family outreach workers, and nurses.

7. Nurses.

8. Supervisory Aides: non-licensed employees who monitor hallways, bus pick up and drop off, playgrounds, and the lunchroom.

9. Librarians.

10. Principal.

11. Assistant Principal.

12. School Site Staff: including primary school secretary and additional clerical personnel.

13. Gifted and Talented Students: students who exhibit top levels of performance at their grade level.

14. Professional Development: training programs for licensed staff in schools, including programs that implement new curriculum programs, provide data focused or academic assessment data training to help staff identify a student's weaknesses and strengths, target interventions, improve instruction, encompass instructional strategies for English learner, gifted, or at-risk students, address inclusivity, cultural sensitivity, or implicit bias, or otherwise provide professional support for licensed staff.

15. Instructional Materials: textbooks, consumable workbooks, laboratory equipment, library books, and other relevant instructional materials.

16. Assessments: benchmark, progress monitoring, formative, diagnostic, and other assessments teachers need in addition to state accountability assessment data.

17. Computer Technology and Equipment: computers, servers, notebooks, network equipment, copiers, printers, instructional software, security software, curriculum management courseware, and other similar materials and equipment.

18. Student Activities: non-credit producing after school programs such as clubs, music, drama, sports, and other activities.

19. Maintenance and Operations: covers custodial services, facility and ground maintenance, facility operations, facility security, routine facility repairs, and other similar services and functions.

20. Central Office Operations: individual administrators and support service personnel charged with managing the instructional programs, business and operations, and security of the school.

21. Employee Benefits: health, dental, and vision insurance offered to employees; costs associated with statutorily required payment of the normal cost of teacher pensions, Social Security employer contributions, and Illinois Municipal Retirement Fund employer contributions. If a school district becomes responsible for funding the employer normal cost of teacher pensions, the required contribution to the Teachers' Retirement System that is to be paid by the district shall be included to the benefit investment. If a school district becomes responsible for funding the retiree health insurance as certified by the Public School Teachers' Pension and Retirement Fund of Chicago, the required contribution shall be included in the benefit investment.

22. Additional Investments in Low-Income Students:

    a. Core Intervention Teachers (Tutors): additional investments for schools based upon the Department of Human Services poverty count and English learner population; teachers who provide resources for diverse learners, licensed teachers who, during the regular school day, provide one on one or small group tutoring to students who need additional support.

b. Additional Pupil Support Teachers: additional investments for schools based upon the Department of Human Services poverty count and English learner population; including counselors, social workers, psychologists, family outreach workers, and nurses.

c. Extended Day: additional investments for schools based upon the Department of Human Services poverty count and English learner population; academic and enrichment programs provided to students outside the regular school day before and after school or during non-instructional times during the school day.

d. Summer School: additional investments for schools based upon the Department of Human Services poverty count and English learner population; all programs provided during summer months.

23. Additional Investments in English Learners: for students who come from homes where English is not the native language and have not obtained proficiency in reading and writing; additional funding for core teachers based upon the English learn population.

24. Special Education: One teacher position and one instructional assistant for every 141 students in kindergarten through 12th grade; and one psychologist for every 1,000 students in kindergarten through 12th grade. Will provide programs for students with moderate, high incidence, special education needs.

Schedule 1 to Appendix A
The Elements in P.A. 100-0465[47]

Core Instructional Elements		
Element	**Core Full Time Employee**	**Per # Students**
1a	Core Teachers K-3 (low-income)	15
1b	Core Teachers K-3	20
1c	Core Teachers 4-12 (low-income)	20
1d	Core Teachers	25
2a	Specialists Teachers (elementary)	20% of core teachers
2b	Specialists Teachers (middle and high school)	33% of core teachers
3	Instructional Facilitators	200
4	Core Intervention Teachers (Tutors)	450 elementary/600 HS
5	Substitute Teachers	33.33% of average teacher or special education salary
6	Core Guidance Counselors	450 elementary/250 Middle and HS
7	Nurses	750
8	Supervisory Aides	225 elementary/200 HS
9	Librarians	450 elementary/600 HS
10	Principal	450 elementary/600 HS
11	Assistant Principal	450 elementary/600 HS
12	School Site Staff	225 elementary/200 HS
	Additional Elements	**$ per Student**
13	Gifted and Talented Students	$40.00
14	Professional Development	$125.00
15	Instructional Materials	$190.00
16	Assessments	$25.00
17	Computer Technology	$285.50
18	Student Activities	$100.00
	Central Services	**$ per Student**
19	Maintenance and Operations	$1,038
20	Central Office Operations	$742
21	Employee Benefits	30% of salary
	Diverse Learners	**Per DHS and EL Student**
22a	Additional Investments in Low-Income Students: Core Intervention Teachers (Tutors)	125
22b	Additional Investments in Low-Income Students: Additional Pupil Support Teachers	125
22c	Additional Investments in Low-Income Students: Extended Day	120
22d	Additional Investments in Low-Income Students: Summer School	120
23	Additional Investments in English Learners	100 per EL only
	Diverse Learners	**Per # Students**
24a	Special Education: Teacher or Aide	141
24b	Special Education: Psychologist	1,000

ENDNOTES

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[39] P.A. 100-0465, "Invest in Kids Act", Section 10 (d).

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[43] Public Act 100-0465, 35 ILCS 200/18-206.

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[46] In P.A. 100-0465, only 24 elements are listed, this is for two reasons. First, schools are not required to provide full day kindergarten to students and families, however, any district that provides or implements full day kindergarten will receive funding to do so. Secondly, a number of the elements were combined under one element under the "Additional Investments in Low-Income Students" item.

[47] Inspired by a similar table from the Illinois Association of School Business Officials.