

The Impact of Underfunding the Evidence-Based Funding Formula

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The Impact of Underfunding the Evidence-Based Funding Formula

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1. Introduction

On August 31, 2017, Illinois decision makers replaced one of the least-equitable K-12 public education funding formulas in the country with the Evidence-Based Funding for Student Success Act, or EBF.¹ The EBF represents the best practice in school funding because it ties the dollar amount taxpayers invest in schools to those educational practices which research shows actually enhance student achievement over time. The EBF establishes a three-part process to accomplish this goal.

First, the EBF identifies a unique “Adequacy Target” of funding each school district needs to implement the evidence-based practices that correlate to enhancing student achievement. Under the EBF, each district’s Adequacy Target is adjusted to ensure it is sufficient to meet the needs of said 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.

Second, the EBF then sorts school districts into four groups – Tier 1, Tier 2, Tier 3, and Tier 4 – based on Percentage of Adequacy, or how much of each respective school district’s Adequacy Target is actually funded, taking into account solely state and local revenue sources. Federal funding is not included. Tier 1 districts have the greatest funding gaps between their existing state and local resources and their Adequacy Targets.

The range of districts falling within Tier 1 under the EBF is dynamic and changes from year-to-year based on a formula. In FY 2020, Tier 1 districts had 67 percent or less of their respective Adequacy Targets covered in state and local resources.² Tier 2 districts have a greater portion of their respective Adequacy Targets covered in current state and local resources than do Tier 1 districts, but less than 90 percent thereof. Tier 3 districts have between 90 and 100 percent of their Adequacy Targets covered in current state and local resources, while Tier 4 districts have current state and local resources which exceed their respective Adequacy Targets.

Third, the EBF prioritizes the distribution of any new state-level formula funding in a fiscal year as follows: 50 percent to Tier 1 districts; 49 percent to Tier 1 and Tier 2 districts on a pro-rata basis; nine-tenths of one percent to Tier 3, and one-tenth of one percent to Tier 4.

This process ensures the greatest share of new state formula funding in a given year is invested in those districts with the greatest needs. (For a more detailed summary of the primary elements of the EBF, see CTBA’s report “[Moving Forward](#).”)

2. State Funding Requirements Under the EBF

The EBF establishes two ongoing funding metrics for state level investments in K-12 education. First, the EBF sets a target of increasing year-to-year state formula funding for K-12 education by at least \$300 million (the “**Minimum Target Level**”). Note that is \$50 million less than the \$350 million amount actually specified in Section (g) of the EBF. The reason for this is the Property Tax Relief Grant or **PTRG** established in the legislation.

Under paragraph 9.5 of Section (g) of the EBF, all new year-to-year funding the state appropriates for the EBF in a fiscal year that is in excess of \$300 million, up to and including \$350 million, is dedicated to the PTRG – not to formula funding. When appropriated, this creates up to \$50 million available for property tax relief annually under the EBF. The statute further provides, however, that if any of the funding appropriated for the PTRG is not used for property tax relief in a given year, then such unused PTRG appropriations will be distributed to school districts as additional formula funding through the Tiers.³

This effectively reduces the state’s Minimum Target Level for increased, year-to-year Tier funding from the \$350 million specified in the statute to \$300 million each fiscal year – and is precisely how the EBF

has been interpreted by the Illinois State Board of Education (**ISBE**) during the first three years of the EBF's implementation.

Illinois satisfied the Minimum Target Level for increased year-to-year state funding of K-12 education in each of the first three fiscal years—FY 2018, 2019, and 2020—during which the EBF was implemented.⁴ That streak now stands to be broken, however, as the FY 2021 General Fund Budget, which recently passed, does not increase K-12 funding under the EBF, but rather holds it level with FY 2020.⁵

Second, the EBF also commits the state to funding the formula fully within 10 years of its implementation, which would be June 30, 2027.⁶ The state is not close to being on track to satisfying this obligation.

Consider that, according to ISBE, at the beginning of the 2019-2020 school year, the \$8.35 billion General Fund appropriation for K-12 education was \$6.8 billion short of what the EBF indicated was needed to fund the Adequacy Target of every school district in Illinois.⁷ *Which means after adjusting for inflation, the state would not be able to satisfy the statutory requirement that the EBF be fully funded by FY 2027, unless beginning in FY 2021 and continuing through FY 2027, the annual increase in year-to-year state funding for the EBF averaged around \$843 million, or well more than double the current statutory minimum target of \$300 million.*

Of course, such an enhanced investment in education is unlikely to happen in the current fiscal environment. Indeed, decision makers felt constrained to hold the FY 2021 General Fund appropriation for K-12 level with FY 2020, because of the hit state revenue is expected to take due to the COVID-19 pandemic. As it stands now, Governor Pritzker's Administration has estimated the economic downturn caused by this pandemic will result in a General Fund revenue shortfall of \$2.7 billion in FY 2020, and a revenue shortfall ranging from \$4.5 - \$5.7 billion in FY 2021.⁸ This does not make Illinois unique, as current estimates are that the recession caused by COVID-19 will cause a revenue loss of at least \$650 billion for all 50 states.⁹

What does make Illinois somewhat unique is the severity of its longstanding fiscal problems which pre-date COVID-19. For instance, even before the pandemic hit and caused the economic downturn that will significantly impede state revenue generation, the accumulated General Fund deficit for FY 2020 was estimated to be \$8.46 billion.¹⁰

Hence, Illinois' fiscal capacity to fund the EBF fully by FY 2027 as required under the statute was in serious doubt even before COVID-19 hit. Obviously, the economic consequences flowing from the pandemic will make it far more difficult for any state, not just Illinois, to even maintain, much less increase K-12 funding over the next few fiscal years.¹¹

All of which means the distinct possibility exists that the state will not only fail to satisfy the minimum, \$300 million targeted year-to-year increase in K-12 funding established under the EBF in either FY 2021 or FY 2022, but that it may be put in a fiscal position that compels decision makers to consider cutting year-to-year K-12 funding levels.

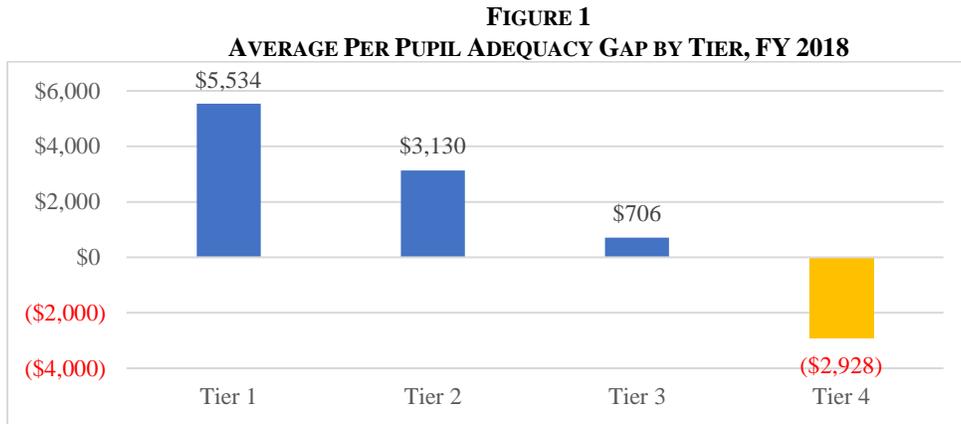
As the following sections of this report show, *sustained failure to fund meaningful year-to-year growth in state level funding of K-12 under the EBF will have numerous consequences, none of them good. Such failure will not only result in another generation of Illinois school children attending schools that do not have the resources to meet their learning needs, but will also impede, and potentially reverse, some of the gains in funding equity along income and racial lines realized during the first three fiscal years in which the EBF has been implemented.*

3. Increased State Funding During the First Three Years of the EBF Effectively Reduced Prior Inequities Along Income and Racial Lines

3.1. Inequity by Income.

Recall that the EBF sorts school districts into four Tiers for the purpose of prioritizing the distribution of new year-to-year state funding. Those districts furthest from their respective Adequacy Targets are grouped into Tier 1 and are supposed to receive the lion’s share of new funding from the state.

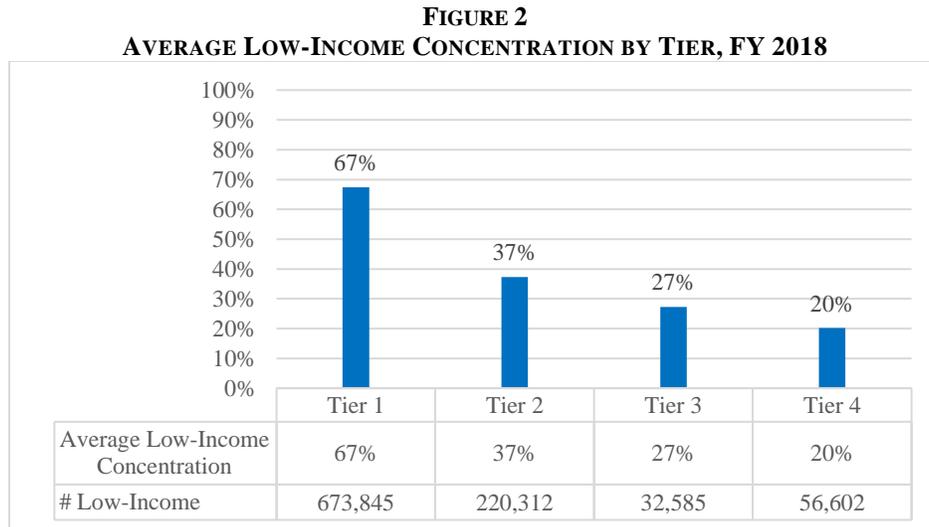
Figure 1 shows the average per pupil Adequacy gap by Tier created under the state’s old school funding formula, as it existed in FY 2018, the first year the EBF was implemented.



Source: CTBA analysis of ISBE FY 2018 EBF Calculation

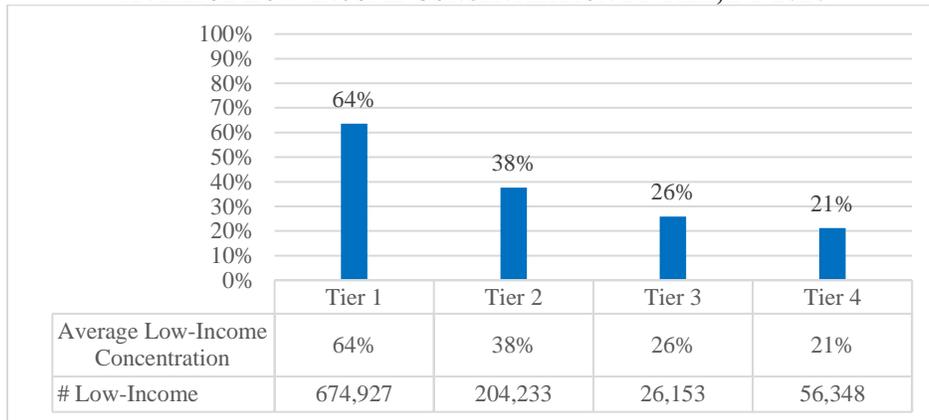
As highlighted in Figure 1, Tier 4 districts on average actually had \$2,928 per student *more* in current state and local funding than what was needed to satisfy their respective Adequacy Targets, while districts in Tiers 1 and 2 had the greatest per pupil Adequacy gaps.

Not surprisingly, as shown in Figures 2 and 3, Tier 1 districts not only have the greatest Adequacy gaps in per pupil funding on average, but also had and continue to have the responsibility to educate both the greatest number and greatest concentration of low-income students in Illinois.



Source: CTBA analysis of ISBE 2018 Report Card and FY 2018 EBF

FIGURE 3
AVERAGE LOW-INCOME CONCENTRATION BY TIER, FY 2020



Source: CTBA analysis of ISBE 2019 Report Card and FY 2020 EBF

Figure 4 shows average per pupil Tier funding under the EBF over the first three years it was implemented: FY 2018, FY 2019, and FY 2020. As intended, the greatest distribution of new state funding per pupil went to Tier 1 districts, which have the greatest per pupil Adequacy gaps on average.

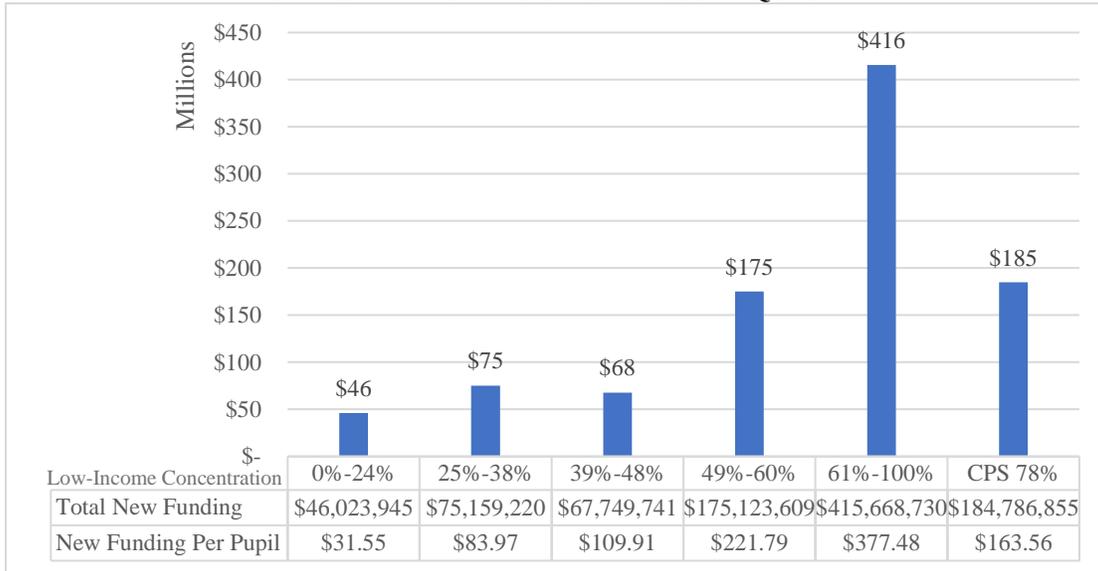
FIGURE 4
AVERAGE TIER FUNDING PER PUPIL FY 2018-FY 2020



Source: CTBA analysis of ISBE FY 2018-2020 EBF Calculation

As shown in Figure 5, the EBF is also working as intended to eliminate the funding inequities by income level created under the state’s prior school funding formula, by making the greatest per pupil distributions of new state funding to districts which educate both the greatest number and concentration of low-income students in Illinois.

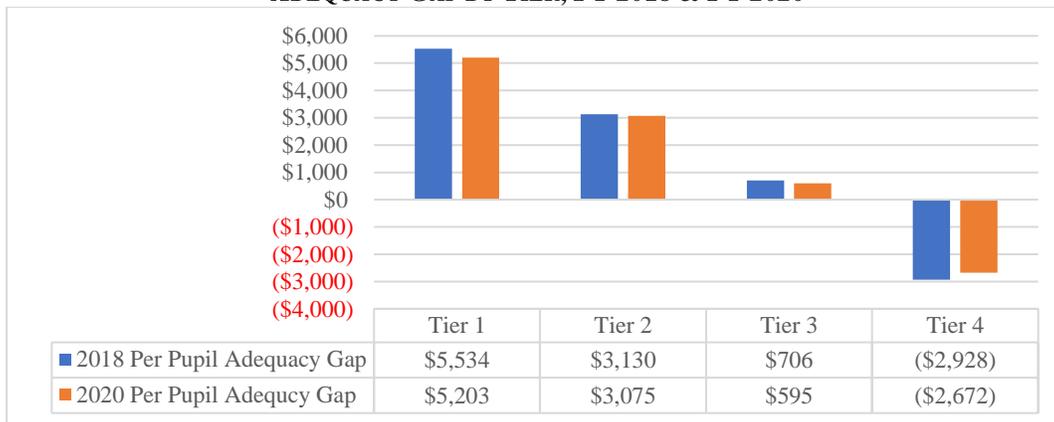
FIGURE 5
DISTRIBUTION OF AGGREGATE NEW TIER FUNDING AND
AVERAGE PER PUPIL FUNDING BY INCOME QUINTILE



Source: CTBA analysis of ISBE FY 2018-2020 EBF Calculation

Figure 6 demonstrates that the Tier distributions of formula funding under the EBF to date have helped reduce the per-student adequacy gaps which were created under the state’s former foundation formula and existed as of FY 2018, the first year the EBF was implemented.

FIGURE 6
ADEQUACY GAP BY TIER, FY 2018 & FY 2020

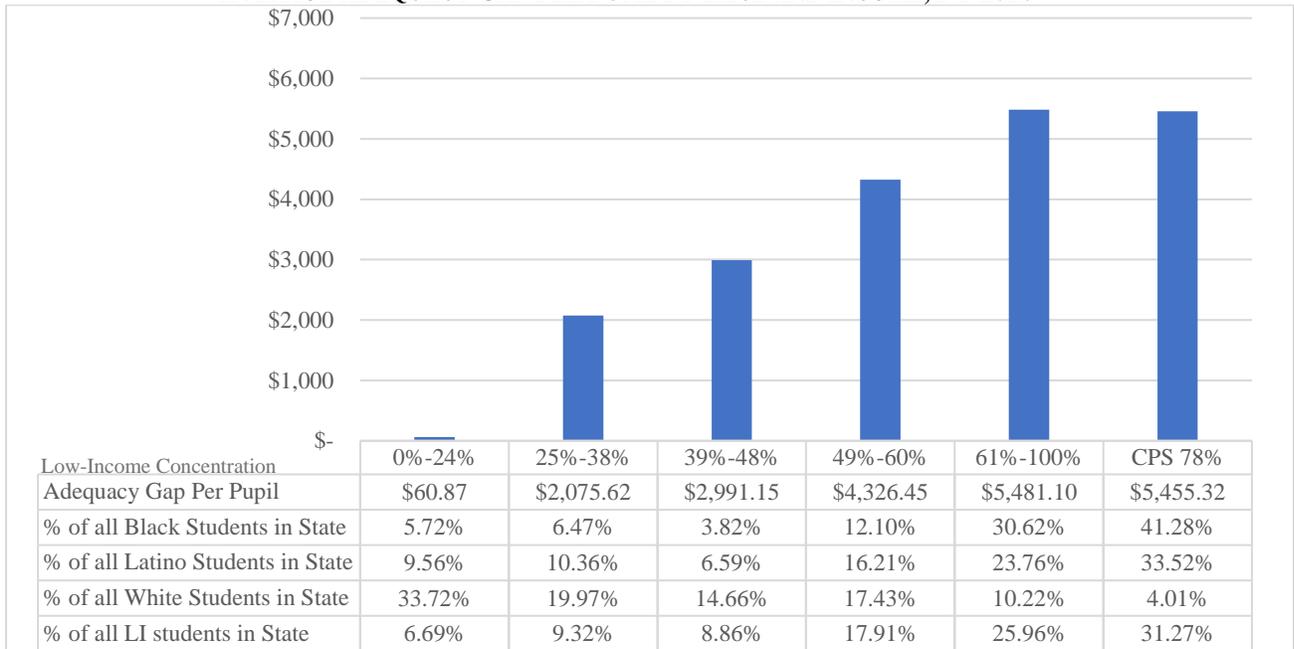


Source: CTBA analysis of ISBE FY 2018 & 2020 EBF Calculation

3.2. Inequity by Race and Ethnicity.

In addition to inequitable gaps in funding by student income level, the state’s old formula created inequitable gaps in funding by race and ethnicity, as shown in Figure 7. Because of these gaps in funding by race and ethnicity, the EBF was also intended to provide additional funding for districts educating high concentrations of students of color.

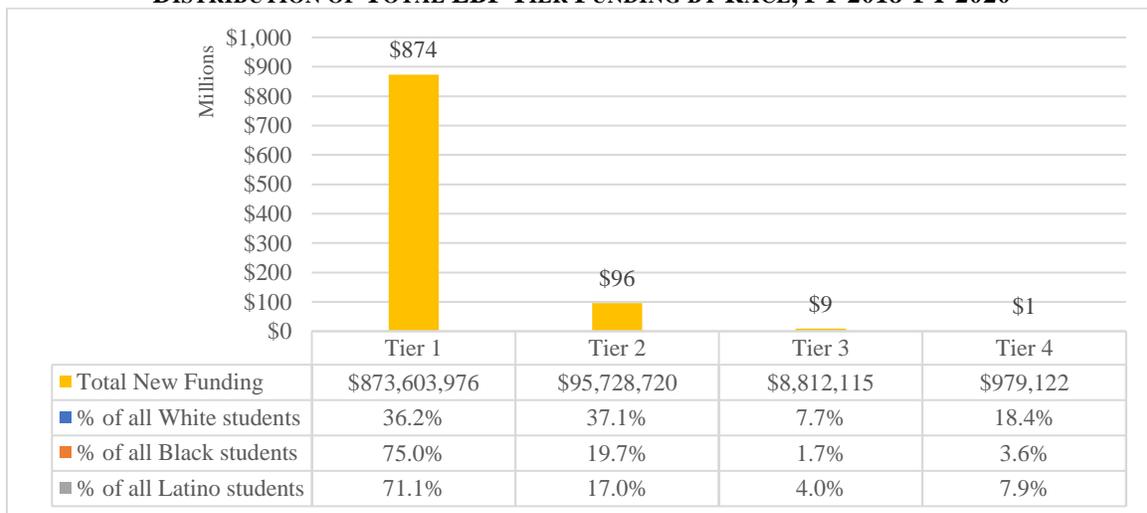
FIGURE 7
AVERAGE ADEQUACY GAP PER PUPIL BY RACE AND INCOME, FY 2018



Source: CTBA analysis of ISBE FY 2018 EBF Calculation

Distribution of Tier funding to date under the EBF has helped redress funding inequities by race, as shown in Figure 8.

FIGURE 8
DISTRIBUTION OF TOTAL EBF TIER FUNDING BY RACE, FY 2018-FY 2020



Source: CTBA analysis of ISBE FY2018-2020 EBF Calculation

As Figure 8 highlights, 89.2 percent of all new state funding under the EBF to date has gone to those school districts which collectively educate 75 percent of all Black school children, and 71.1 percent of all Latino school children in Illinois, but only 36.2 percent of all white school children, thereby effectively reducing educational funding gaps by race and ethnicity, as intended.

4. Impact of Not Satisfying the Annual \$300 Million Target Level of New EBF Tier Funding

4.1. Flat Funding Education in FY 2021 Will Likely Increase Funding Gaps by Income and Race.

As shown previously, to date the distribution of new state funding under the EBF has been flowing as intended, with Tier 1 districts, which serve most of the state’s low-income and minority students, receiving the majority – 89 percent – of all new state formula funding.

However, because of anticipated loss of state revenue due to the COVID-19 pandemic, the FY 2021 General Fund Budget as passed provides no year-to-year increase in K-12 funding under the EBF.¹² The portion of the budget implementation bill which covers the FY 2021 appropriation for the EBF specifically provides that each school district shall receive its Base Funding Minimum in FY 2021, which in effect means the exact same amount in nominal dollar funding it received under the EBF in FY 2020.¹³ Without that clause, there could have been some year-to-year variance in funding at the school district level, based on changes in items such as student population or Adequacy Target.

While state level K-12 funding in FY 2021 will remain flat on a nominal dollar basis, after inflation, it will be \$242 million less in real terms than it was in FY 2020. This in turn likely means that, after three consecutive years of narrowing, gaps in per pupil funding by income and race will worsen slightly in FY 2021.

4.2. Providing \$200 million rather than the Minimum Target of \$300 million in New Year-to-Year Funding.

Prior to accounting for projected revenue loss created by the pandemic, the Governor proposed two potential budgets for FY 2021. The first, which was his “Recommended Budget,” would have increased K-12 funding on a year-to-year basis by the minimum target level of \$300 million.¹⁴ However, the Recommended Budget was made subject to voters ratifying a proposed amendment to the state constitution that would permit Illinois to utilize a graduated rate structure for the state’s individual income tax—something the constitution currently prohibits—during the general election this coming November.

If that happened, the Governor’s Office of Management and Budget (“GOMB”) projected the state would realize around \$1.4 billion in new revenue during FY 2021, from the proposed graduated rate income tax structure that would become effective on January 1, 2021.¹⁵ If, however, voters fail to ratify this constitutional amendment, the state would not realize the aforesaid \$1.4 billion in new revenue. To cover that potential contingency, the Governor also proposed a second “Austerity Budget” for the FY 2021 General Fund. The proposed Austerity Budget increased year-to-year funding for K-12 under the EBF in FY 2021 by only \$200 million over FY 2020 levels, rather than the statutorily established Minimum Target Level of \$300 million.¹⁶

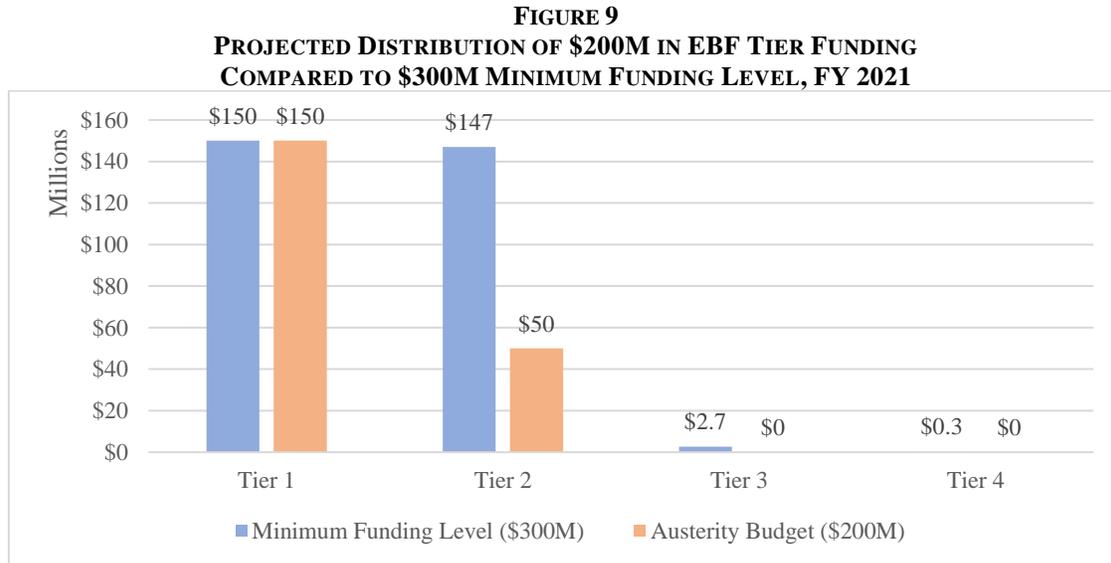
Although the Austerity Budget is no longer in play, it is likely the state’s fiscal shortcomings will compel decision makers to consider not satisfying the \$300 million minimum target for year-to-year growth in state funding under the EBF in the next few fiscal years. Given that distinct possibility, it would be helpful if decision makers understood the ramifications of doing so.

Using the Austerity Budget proposal as a starting point, CTBA calculated how increasing state funding of K-12 education by \$200 million, rather than the legislatively targeted minimum of \$300 million, would impact districts and students.

The most obvious consequence of such action is that the majority of the \$100 million reduction in year-to-year funding growth would come out of the coffers of Tier 2 districts. Under the EBF, Tier 1 districts would still receive the same \$150 million in new Tier funding they would have received if the \$300 million target had been fully satisfied. *Tier 2 districts, on the other hand, would receive only \$50*

million in new formula funding, which is \$97 million or fully 66 percent less than they would have received if the \$300 million target were met. Tier 3 and Tier 4 districts would receive no new funding, or \$3 million less than if the \$300 million target were met.

Figure 9 shows how funding would be distributed if the proposed Austerity Budget were enacted in FY 2021, compared to how funding would be distributed if the Minimum Target Level were satisfied.



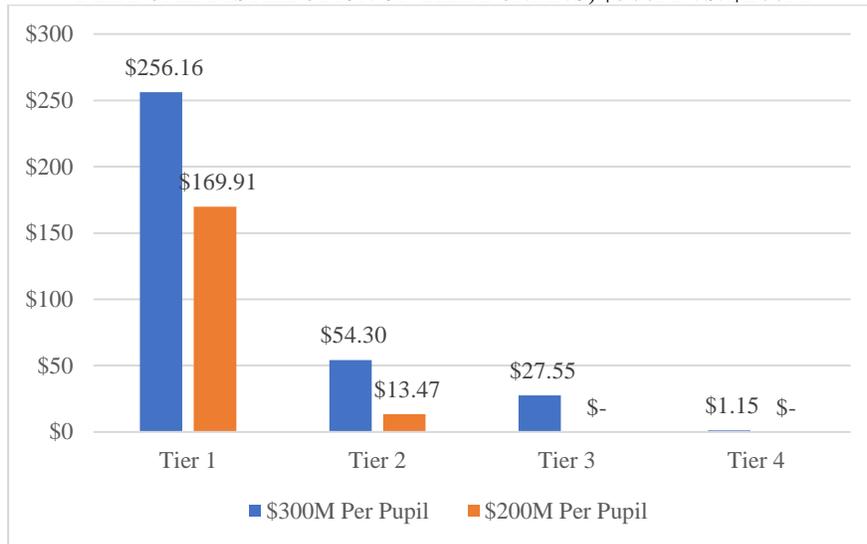
Source: CTBA projected analysis using ISBE FY 2020 EBF Calculation with \$200M funding distribution

Note that, even though Tier 1 would receive the same aggregate amount of new funding in this scenario, the amount of per pupil funding received by Tier 1 districts would be slightly less than it would have been if the Minimum Target Level of \$300 million were satisfied. That is because by statute, any time the state increases K-12 funding on a year-to-year basis by an amount that is *less* than the target amount of \$300 million, the EBF by formula moves a number of districts that would have been categorized as Tier 2 districts if the Minimum Target Level were satisfied, into Tier 1.¹⁷

The rationale for doing so is to provide additional support to those Tier 2 districts that have state and local resources that cover less than 70 percent of their respective Adequacy Targets, and hence are materially underfunded. Of course, the natural consequence of including more districts in Tier 1 is that more students are also included in Tier 1. Thus, as shown in Figure 10, even though the gross distribution of new funding to Tier 1 remains the same, Tier 1 per pupil funding will be less if year-to-year state funding is increased by \$200 million than it would be if the increase were the targeted level of \$300 million.

As Figure 10 shows, Tier 3 and Tier 4 districts would not receive any new funding if the year-to-year increase were \$200 million. Tier 2 districts would realize a 75 percent decline in average new funding per pupil, which would drop from \$54 to \$13 per pupil. Tier 1 districts would see their new, average per pupil funding decline from \$256 per pupil to \$170 per pupil.

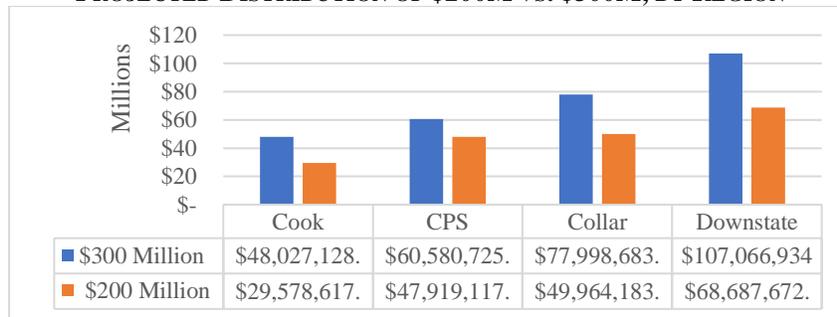
Figure 10
PER PUPIL DISTRIBUTION OF TIER FUNDING, \$300M vs. \$200M



Source: CTBA analysis of ISBE FY 2020 EBF Calculation Tier Distribution

Geographically, every region in the state would realize a decrease in overall Tier funding if year-to-year EBF funding increased by \$200 million, rather than the Minimum Target Level of \$300 million, as shown in Figure 11. The greatest loss of funding would hit Downstate Illinois, where 259 districts, or about 77 percent of Tier 2 districts are located.

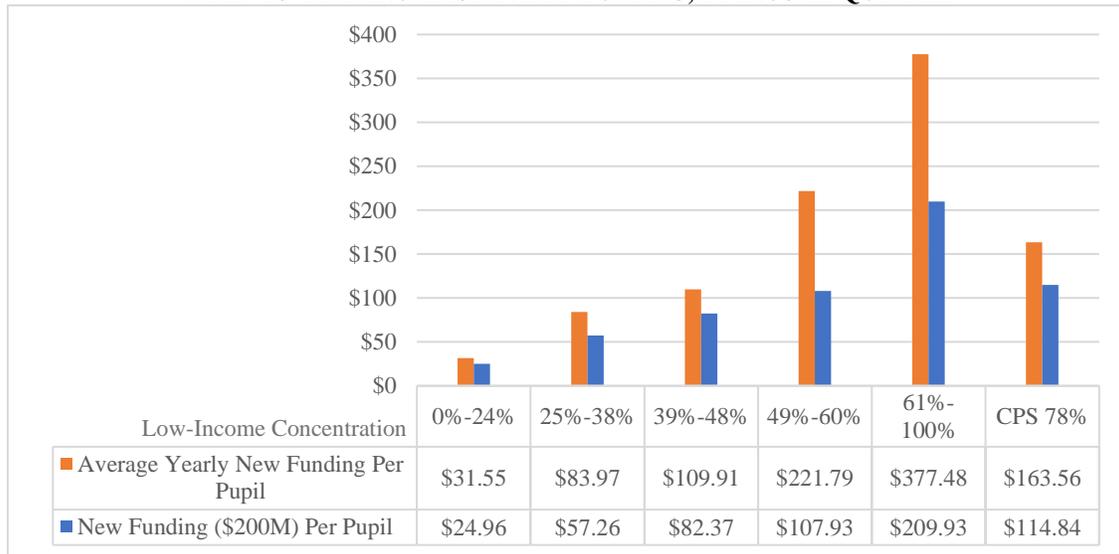
FIGURE 11
PROJECTED DISTRIBUTION OF \$200M vs. \$300M, BY REGION



Source: CTBA analysis of ISBE FY 2020 EBF Calculation using \$200M Tier funding

There is some positive news. Using the most recent data from the Illinois Report Card, Figure 12 shows that even if the increase in year-to-year funding for K-12 under the EBF were limited to \$200 million in FY 2021, districts with the greatest percentages of low-income students and students of color would still receive the lion’s share of that new funding, as intended.

FIGURE 12
PROJECTED PER PUPIL DISTRIBUTION OF \$200 COMPARED TO \$300 MILLION
YEAR-TO-YEAR INCREASE IN EBF FUNDING, BY INCOME QUINTILE



Source: CTBA analysis of ISBE FY 2020 EBF Calculation using \$200M

That said, the average amount of funding they would receive per pupil would be less than if the Minimum Target Level were satisfied.

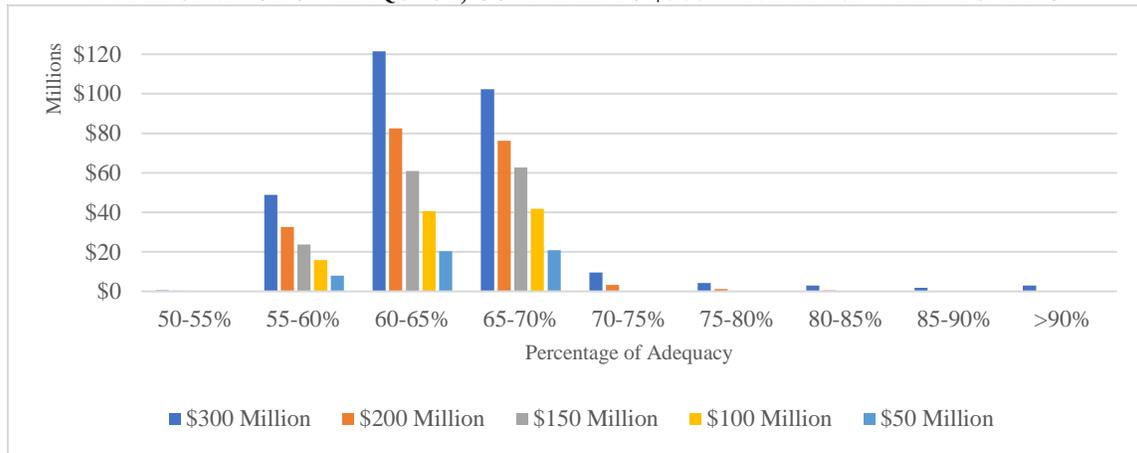
Consider that, during the first three-year period following implementation of the EBF when the state satisfied the Minimum Target Level, districts with student populations in the top quintile of low-income concentration (60-100%), received, on average, \$377 in per pupil funding. If, however, the FY 2021 state appropriation for funding under the EBF were increased by \$200 million rather than the Minimum Target Level of \$300 million, average per pupil funding for the top quintile of low-income student concentration (60-100%) would be \$210, a \$167 decrease per pupil.

As described previously in Section 4.2, whenever year-to-year increases in K-12 funding are less than the Minimum Target Level of \$300 Million, the EBF by formula, both continues to distribute most of the increase to Tier 1 districts and shifts some districts that are under 70 percent funded that would have been categorized as Tier 2 if the Minimum Target Level were satisfied, into Tier 1.

Figure 13 shows how new funding would be distributed by Percentage of Adequacy under various different scenarios in which state funding of K-12 increases on a year-to-year basis, but by an amount which is less than the Minimum Target Level of \$300 million.

Note that under every scenario, no new Tier funding would be distributed to Tier 3 or 4 districts, which have 90 percent or more of their respective Adequacy Targets already covered by state and local resources. Tier 2 districts which have between 70% and 90% of their respective Adequacy Targets covered by state and local resources would still receive some of the increased state funding, but materially less than would pertain if the Minimum Target Level were satisfied, while Tier 1 districts receive the lion’s share of funding in each case, as intended.

FIGURE 13
PROJECTED DISTRIBUTION OF \$50M - \$200M IN EBF NEW TIER FUNDING,
BY PERCENTAGE OF ADEQUACY, COMPARED TO \$300M IN EBF NEW TIER FUNDING



Source: CTBA analysis based on ISBE FY 2020 EBF Calculation

It is important to emphasize that the scenarios highlighted in Figure 13 all involve *increases* in EBF funding over the prior year.

5. Cuts in Year-to-Year Funding Under the EBF

5.1. Reduction to Base Funding Minimum Calculation when Year-to-Year Funding is Less Than the Prior Year.

All the scenarios highlighted in Section 4 involved the state increasing EBF funding on a year-to-year basis, albeit not by enough to satisfy the Minimum Target Level of \$300 million. If, however, the state opts to reduce rather than increase year-to-year funding under the EBF, a completely different set of rules, which are set forth in paragraph (10) of EBF Section (g), govern how the reduced level of state funding will be distributed to school districts.

Figure 14 shows the actual amount of total state funding for the EBF over its first three years, FY 2018 through FY 2020.

FIGURE 14
TOTAL NET STATE FUNDING FOR EBF

Fiscal Year	2018	2019	2020
Net State Funding	\$6.369 billion	\$6.700 billion	\$7.075 billion

Source: ISBE EBF Distribution Quick Facts, FY 2018-FY 2020

To activate the distribution rules set forth in paragraph (10) of EBF Section (g), the state would have to appropriate less than \$7.075 billion for the EBF in FY 2021. Of the \$7.075 billion appropriated in FY 2020, around \$59 million went to fund Regional Offices of Education (individually an “ROE”) and Lab Schools, which do not receive their funding distributions through the Adequacy ranking process. That leaves \$7.016 billion that was distributed to unit, high school, and elementary districts through the EBF as either new Tier funding, or “**Base Funding Minimum.**” Under the EBF, a district’s Base Funding Minimum in a fiscal year is the sum of all formula funding it received from the state in the prior fiscal year.¹⁸

Hypothetically, assume that after accounting for ROEs and Lab schools, state funding for all remaining districts in FY 2021 was \$6.016 billion, or \$1 billion less than what they received in FY 2020. The operative provisions of the EBF create a three-step calculation to identify how this reduced aggregate state funding will be distributed among districts in different Tiers.

First, the EBF provides that, if there is adequate funding from the reduced appropriation to do so, Tier 1 and Tier 2 districts are each to receive a “**Base Funding Guarantee.**” This Base Funding Guarantee is an amount equal to the applicable Tiers 1 or 2 district’s per pupil amount of EBF funding received in the immediately preceding fiscal year, multiplied by its “**Average Student Enrollment**” or “**ASE**” for the fiscal year in which the reduced state appropriation is made.¹⁹

Our hypothetical is based on the state reducing K-12 appropriations in FY 2021. So, to determine the amount of a Tier 1 or Tier 2 district’s FY 2021 Base Funding Guarantee, the total “**EBF Net Funding**” – which is the sum of all Base Funding Minimum plus new Tier funding and additional grant funding it received in FY 2020 – would be divided by such district’s ASE for FY 2020.²⁰ The quotient from that calculation would then be multiplied by such district’s ASE in FY 2021, and the ensuing product would be the aggregate dollar amount of its FY 2021 Base Funding Guarantee. Figure 15 shows the Base Funding Guarantee calculation.

FIGURE 15
TIER 1 AND TIER 2 BASE FUNDING GUARANTEE

$$\text{DISTRICT BASE FUNDING GUARANTEE} = \frac{\text{PRIOR FISCAL YEAR EBF NET FUNDING}}{\text{PRIOR FISCAL YEAR ASE}} \times \text{CURRENT FISCAL YEAR ASE}$$

Since ASE for FY 2021 was not available at the time of the publication of this report, this analysis simply makes a district’s Base Funding Guarantee for FY 2021 equal to its EBF Net Funding in FY 2020.

Second, the EBF then provides that year-to-year funding for districts in Tiers 3 and 4 will be reduced. The starting point for calculating the amount of this reduction is the aggregate dollar amount of the growth in Base Funding Minimum realized by all Tier 3 and 4 districts since the EBF was first implemented in FY 2018.²¹ Over the FY 2018-2020 sequence, Tier 3 districts realized \$5.6 million in Base Funding Minimum growth, while Tier 4 districts collectively realized \$11.4 million, for a total of \$17 million.²²

ISBE has indicated that when the total year-to-year reduction in state funding is greater than the aggregate growth in Base Funding Minimum for Tier 3 and 4 districts, then ISBE will simply start by resetting the Base Funding Minimum of Tier 3 and 4 districts back to their respective levels which existed as of FY 2018.²³ In our hypothetical, this would effectively result in Tier 3 and 4 districts absorbing \$17 million of the \$1 billion year-to-year reduction in K-12 funding by the state.

The statutory language in the EBF, however, provides for a slightly more nuanced computation, which involves reducing the funding Tier 3 and 4 districts receive on a per pupil basis. Under the statutory process, the total reduction in state funding up to the aggregate dollar amount of total Base Funding Minimum growth realized by all Tiers 3 and 4 districts would be divided by the total ASE of all Tiers 3 and 4 districts, as said ASE existed in the fiscal year preceding the one in which the reduced state appropriation is made. This quotient would then be multiplied by each Tier 3 or Tier 4 district’s respective ASE in the fiscal year in which the reduction in state funding is implemented, to determine the initial reduction in year-to-year funding each such district will absorb. Note that in our hypothetical, this process would not necessarily reset the Base Funding Minimum of all Tier 3 and 4 districts to the same levels as pertained in FY 2018, because of the varying rate of growth in Base Funding Minimum such districts actually realized over the applicable period of years.

Third, if the dollar amount of the aggregate Base Funding Minimum growth realized by all Tiers 3 and 4 districts is not sufficient to absorb the entire year-to-year reduction in state appropriations for K-12, the EBF provides that the remaining reduction will be offset through utilization of a per pupil funding cut that applies to every school district in all Tiers. The year-to-year funding cut a district would realize under this provision of the EBF is determined by: dividing the remaining aggregate shortfall by total ASE for all

school districts in all Tiers in the fiscal year of the reduction; and then multiplying that quotient by the ASE of the school district in question in said fiscal year, as shown in Figure 16.²⁴

FIGURE 16
REMAINING PER PUPIL REDUCTION

$$\text{ADDITIONAL DISTRICT REDUCTION} = \frac{\text{REMAINING SHORTFALL}}{\text{ASE OF ALL DISTRICTS}} \times \text{ASE OF DISTRICT IN QUESTION}$$

In our hypothetical, the first \$17 million of the \$1 billion year-to-year reduction in state funding for K-12 was absorbed by Tier 3 and 4 districts, when their respective Base Funding Minimum amounts were cut back to FY 2018 levels. That leaves a shortfall of \$983 million to be absorbed by all districts in all Tiers. Under our hypothetical, the reduction in state funding occurred in FY 2021, so the aforesaid \$983 million shortfall should be divided by the FY 2021 ASE of all school districts in all Tiers to determine the final per pupil reduction each district will absorb.

As indicated previously, however, that data is not yet available, so we will utilize the FY 2020 ASE of 1,927,220 instead, which results in a final funding cut of \$510 per pupil for all districts. Note, for Tier 3 and 4 districts, this is in addition to the \$17 million funding cut they previously absorbed.

Figure 17 shows how a year-to-year cut of \$1 billion in K-12 funding by the state would be distributed among the Tiers under the EBF.

FIGURE 17
PROJECTED FY 2021 FUNDING LEVELS BY TIER AFTER A YEAR-TO-YEAR K-12 FUNDING CUT OF \$1 BILLION (APPROX. 15%) IN EBF FUNDING

	Tier 1	Tier 2	Tier 3	Tier 4
1. FY 2020 Base Funding Minimum	\$4,993,094,690.39	\$1,370,363,500.02	\$109,411,705.63	\$238,211,294.24
2. Tier 3 & Tier 4 Initial Formula Reduction	\$0.00	\$0.00	\$5,580,180.93	\$11,398,911.81
3. Second Formula Reduction - All Tiers	\$557,040,988.73	\$285,325,652.78	\$52,631,777.11	\$140,508,248.79
4. Aggregate Reduction by Tier	\$557,040,988.73	\$285,325,652.78	\$58,211,958.04	\$151,907,160.60
5. Final Projected Funding Level	\$4,436,053,701.66	\$1,085,037,847.24	\$51,199,747.59	\$86,304,133.64

The previous hypothetical was based on a \$1 billion shortfall (about a 15 percent cut over the prior year funding). Figures 18 and 19 show how year-to-year funding cuts of \$350 million (five percent) and \$700 million (10 percent) would impact final projected funding level for each Tier.

FIGURE 18
PROJECTED FY 2021 FUNDING LEVELS BY TIER AFTER A YEAR-TO-YEAR
K-12 FUNDING CUT OF \$350 MILLION (APPROX. 5%) IN EBF FUNDING

	Tier 1	Tier 2	Tier 3	Tier 4
1. FY 2020 Base Funding Minimum	\$4,993,094,690.39	\$1,370,363,500.02	\$109,411,705.63	\$238,211,294.24
2. Tier 3 & Tier 4 Initial Formula Reduction	\$0.00	\$0.00	\$5,580,180.93	\$11,398,911.81
3. Second Formula Reduction - All Tiers	\$179,591,168.33	\$91,989,581.33	\$16,968,593.94	\$45,300,150.39
4. Aggregate Reduction by Tier	\$179,591,168.33	\$91,989,581.33	\$22,548,774.87	\$56,699,062.20
5. Final Projected Funding Level	\$4,813,503,522.06	\$1,278,373,918.69	\$86,862,930.76	\$181,512,232.04

FIGURE 19
PROJECTED FY 2021 FUNDING LEVELS BY TIER AFTER A YEAR-TO-YEAR K-12 FUNDING CUT OF \$750
MILLION (APPROX. 10%) IN EBF FUNDING

	Tier 1	Tier 2	Tier 3	Tier 4
1. FY 2020 Base Funding Minimum	\$4,993,094,690.39	\$1,370,363,500.02	\$109,411,705.63	\$238,211,294.24
2. Tier 3 & Tier 4 Initial Formula Reduction	\$0.00	\$0.00	\$5,580,180.93	\$11,398,911.81
3. Second Formula Reduction - All Tier	\$368,316,078.53	\$188,657,617.06	\$34,800,185.52	\$92,904,199.59
4. Aggregate Reduction by Tier	\$368,316,078.53	\$188,657,617.06	\$40,380,366.45	\$104,303,111.40
5. Final Projected Funding Level	\$4,624,778,611.86	\$1,181,705,882.96	\$69,031,339.18	\$133,908,182.84

As this report highlights, the EBF to date has worked as intended. It has not only tied education funding to those practices which the research shows actually enhance student achievement, but has also begun to close the inequitable gaps in funding by income, race and ethnicity created under Illinois’ prior, “Foundation Level” school funding formula. This progress has occurred only because Illinois has satisfied the \$300 million Minimum Target Level for increases in year-to-year state funding of K-12 created under the EBF, in each of the three fiscal years the EBF has been implemented prior to FY 2021.

Unfortunately, the state’s poor fiscal condition, coupled with the downturn in the economy created by the COVID-19 pandemic, has resulted in decision makers opting to not increase K-12 funding in FY 2021. As shown in this report, failure to at least satisfy the Minimum Target Level of \$300 million set for increasing year-to-year funding of K-12 education imperils the progress made to date in both reducing inequitable funding gaps by income, race and ethnicity, as well as providing every district with the resources it needs to provide a quality education to the children it serves.

Glossary

Adequacy Target: amount of funding each school district needs to implement the evidence-based practices that correlate to enhancing student achievement

ASE: Average Student Enrollment

Austerity Budget: The second General Fund Budget proposed by Governor Pritzker if voters fail to ratify a proposed amendment to the state constitution that would permit Illinois to utilize a graduated rate structure for the state's individual income tax which would increase year-to-year funding for K-12 under the EBF in FY 2021 by only \$200 million over FY 2020 levels, rather than the statutorily established Minimum Target Level of \$300 million

Base Funding Guarantee: an amount equal to the applicable Tier 1 or 2 district's per pupil amount of EBF funding received in the immediately preceding fiscal year, multiplied by its ASE for the fiscal year in which the reduced state appropriation is made

Base Funding Minimum: Under the EBF, a district's Base Funding Minimum in a fiscal year is the sum of all formula funding it received from the state in the prior fiscal year

EBF: Evidence-Based Funding formula

EBF Net Funding: the sum of all Base Funding Minimum plus new Tier funding and additional grant funding it received in FY 2020

GOMB: Governor's Office of Management and Budget

ISBE: Illinois State Board of Education

Minimum Target Level: a target year-to-year increase state formula funding for K-12 education by at least \$300 million

Percent of Adequacy: how much of each respective school district's Adequacy Target is actually funded, considering solely state and local revenue sources

PTRG: Property Tax Relief Grant

Recommended Budget: General Fund Budget proposed by Governor Pritzker which would have increased K-12 funding on a year-to-year basis by the minimum target level of \$300 million

ROE: Regional Office of Education

Endnotes

- ¹ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.
- ² CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations FY 2020
- ³ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.
- ⁴ CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Years 2018, 2019, 2020
- ⁵ CTBA analysis of Illinois Public Act 101-0637, <http://www.ilga.gov/legislation/publicacts/101/PDF/101-0637.pdf>
- ⁶ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.
- ⁷ CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations FY 2020; and FY 2020 Enacted General Fund Budget
- ⁸ Revised FY 2021 Revenue Estimate and FY 2020 Revenue Update,” Commission on Government Forecasting and Accountability, May, 2020, 20. <http://cgfa.ilga.gov/Upload/2020-MAY%20Updated%20FY%202021%20Revenue%20Estimate%20and%20Revised%20FY%202020%20Revenue%20Up...pdf>
- ⁹ Leachman, Michael, “New CBO Projections Suggest Even Bigger State Shortfalls,” *CBPP*, April 24, 2020, <https://www.cbpp.org/blog/new-cbo-projections-suggest-even-bigger-state-shortfalls>, (accessed: May 18, 2020).
- ¹⁰ CTBA analysis of FY 2020 Accumulated Deficit
- ¹¹ CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations FY 2019.
- ¹² Illinois Public Act 101-0637, <http://www.ilga.gov/legislation/publicacts/101/PDF/101-0637.pdf>
- ¹³ Illinois Public Act 101-0637, <http://www.ilga.gov/legislation/publicacts/101/PDF/101-0637.pdf>
- ¹⁴ Proposed FY 2021 Recommended General Fund Budget
- ¹⁵ Governor’s Office of Management and Budget, “April 2020 Revenue Forecast Revision,” <https://www2.illinois.gov/sites/budget/Documents/April-2020-GOMB-Revenue-Forecast-Revision.pdf>
- ¹⁶ Proposed FY 2021 Austerity General Fund Budget, <https://www2.illinois.gov/sites/budget/Documents/Budget%20Book/FY2021-Budget-Book/Fiscal-Year-2021-Operating-Budget-Book.pdf>
- ¹⁷ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.
- ¹⁸ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.
- ¹⁹ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.
- ²⁰ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.
- ²¹ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.
- ²² CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Years 2018, 2019, 2020
- ²³ Email communication with Illinois State Board of Education.
- ²⁴ 105 ILCS 5, Evidence-Based Funding for Student Success Act, 2017.