

# Fully Funding the Evidence-Based Formula: FY 2022 Proposed General Fund Budget Update

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**FULLY FUNDING THE EVIDENCE-BASED FORMULA: FY 2022 PROPOSED GENERAL FUND BUDGET UPDATE**

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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.”<sup>1</sup> 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 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 paragraph 9.5 of Section (g) of the legislation.

To effectuate the PTRG, the dollar amount of any year-to-year increase in funding the state appropriates to the EBF in a given 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 for property tax relief under the EBF for the fiscal year in question. 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.<sup>2</sup>

This effectively reduces the state’s Minimum Target Level for increased, year-to-year formula 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.<sup>3</sup> Due to the decline in General Fund Revenue that is being caused by the COVID-19 pandemic and Illinois’ flawed tax policy,<sup>4</sup> however, that streak of funding K-12 education at the Minimum Target Level has been broken. In fact, the FY 2021 General Fund Budget did not include any year-to-year increase in K-12 funding under the EBF, but rather held such funding level with FY 2020, in nominal, non-inflation-adjusted dollars.<sup>5</sup> **In the FY 2022 General Fund budget proposal the Governor announced in February, K-12 funding under the EBF is once again held level with FY 2020, in nominal, non-inflation-adjusted dollars.**<sup>6</sup>

While that is certainly better than being cut from FY 2020 levels in nominal dollars, it represents a step backward. That is because, **after accounting for inflation, K-12 funding under the FY 2022 proposed General Fund budget is \$434 million or 4.9 percent less in real terms than it was in FY 2020.**<sup>7</sup>

Second, in addition to the target created for increasing K-12 funding on a year-to-year basis, the EBF also commits the state to funding the formula fully within 10 years of its implementation, which would be June 30, 2027.<sup>8</sup> According to ISBE, as of FY 2021, the EBF was underfunded state-wide by some \$6.8 billion,<sup>9</sup> an amount that will grow to nearly \$7 billion by the end of FY 2022.<sup>10</sup> At its current rate of increasing EBF funding, the state is not close to being on track for satisfying the obligation to fund the EBF fully by FY 2027.

Given that over 83 percent of the state’s school districts currently have less funding than the EBF identifies they need to educate the students they serve,<sup>11</sup> this delay in fully funding the EBF is troubling. Following are three different scenarios which illustrate what it will take to fund the EBF fully over time on an inflation-adjusted basis.

## 2. Appropriating only the Minimum Target Level of \$300M yearly until the EBF is funded fully

If the EBF is flat funded as currently proposed for FY 2022, and if beginning in FY 2023, Illinois increases K-12 appropriations annually by the Minimum Target Level of \$300 million established under current law, then it will take until FY 2045 to eliminate the \$6.796 billion shortfall that exists as of FY 2021, in nominal, **non-inflation-adjusted dollars**, as shown in **Figure 1**.

**FIGURE 1**  
EBF FUNDING ON A NOMINAL DOLLAR, NON-INFLATION-ADJUSTED BASIS  
WITH A \$300M MINIMUM TARGET LEVEL (\$ MILLIONS)

|   | FY2021           | FY2022           | FY2030           | FY2040           | FY2045     |
|---|------------------|------------------|------------------|------------------|------------|
| <b>Total Amount Needed to Fund EBF Fully</b>            | \$6,796          | \$6,796          | \$4,696          | \$1,696          | \$196      |
| <b>Total Nominal Dollars Put in Annually</b>            | \$0              | \$0              | \$300            | \$300            | \$196      |
| <b>Shortfall</b>  | <b>(\$6,796)</b> | <b>(\$6,796)</b> | <b>(\$4,396)</b> | <b>(\$1,396)</b> | <b>\$0</b> |
| <b>Total Nominal Dollars Put into EBF since FY 2018</b> | \$979            | \$979            | \$3,679          | \$6,679          | \$7,775    |

Source: CTBA analysis of ISBE FY2018, 2019, 2020 & 2021 EBF Calculation.

Flat funding the EBF again in FY 2022 will extend the number of years it will take to fund the EBF fully by one additional year, compared to if the state only flat funded the EBF in FY 2021 — and made the Minimum Target Level investment of \$300 million in FY 2022.

Of course, after adjusting for inflation, the EBF would still not be fully funded by FY 2045. Instead, in real, inflation-adjusted terms, the EBF would remain underfunded by \$3.402 billion at that point in time, as shown in **Figure 2**. In fact, if lawmakers decide to hold EBF funding flat in FY 2022 as currently proposed, and then continue increasing K-12 funding annually by the Minimum Target Level of \$300 million beginning in FY 2023, it will take Illinois until 2059 to fund the EBF fully.

**FIGURE 2**  
EBF FUNDING IF \$300M MINIMUM TARGET LEVEL IS NOT ADJUSTED FOR INFLATION (\$ MILLIONS)

|   | FY2021           | FY 2022          | FY2030           | FY2040           | FY2045           | FY2050           | FY2059     |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------|
| <b>Total Amount Needed to Fund EBF Fully (infl. adj.)</b> | \$6,796          | \$6,940          | \$6,246          | \$4,665          | \$3,702          | \$2,603          | \$215      |
| <b>Total Nominal Dollars Put in Annually</b>              | \$0              | \$0              | \$300            | \$300            | \$300            | \$300            | \$215      |
| <b>Shortfall/Surplus</b>                                  | <b>(\$6,796)</b> | <b>(\$6,940)</b> | <b>(\$5,946)</b> | <b>(\$4,365)</b> | <b>(\$3,402)</b> | <b>(\$2,303)</b> | <b>\$0</b> |
| <b>Total Nominal Dollars Put into EBF since FY 2018</b>   | \$979            | \$979            | \$3,379          | \$6,379          | \$7,879          | \$9,379          | \$11,994   |

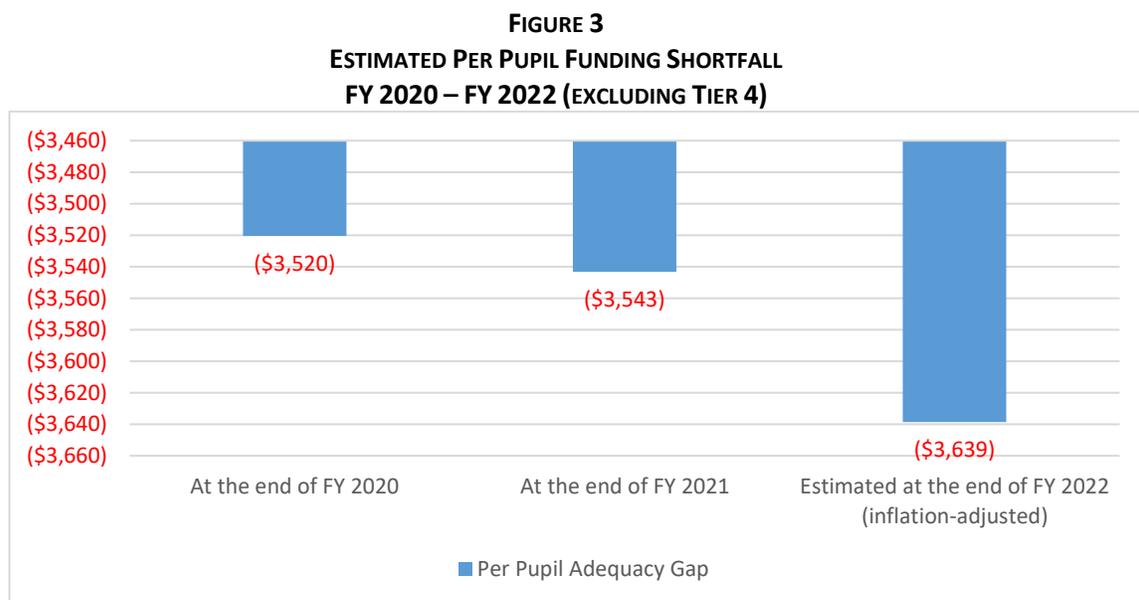
Source: CTBA analysis of ISBE FY2018, 2019, 2020 & 2021 EBF Calculation using Bureau of Labor Statistics ECI historical data.

If instead the state increases K-12 funding annually by the Minimum Target Level of \$300 million beginning in FY 2022, it will cut two years off the period of time needed to fund the EBF fully, reaching that milestone in FY 2057. Of course, flat funding education in FY 2022 will not only extend the timeline to fund the EBF to 41 years — or more than four times longer than provided for in statute — but it will also cost the state an additional \$480 million to reach the level of full funding.

## 2.1 Per Pupil Adequacy Funding Gap

If the state, as is currently proposed, does not increase funding for the EBF over the two year sequence of FY 2021-FY 2022, then by the end of FY 2022, the EBF will have received \$600 million less in new, nominal dollar funding than what was targeted under the statute. As should be expected, this will not only extend the period of time it will take to fund the EBF fully, but it will also worsen the statewide per-pupil funding shortfall between the amount of resources the EBF indicates is needed, and what is actually being provided.

In fact, as shown in **Figure 3**, the per pupil funding shortfall not only continues to grow for each year there is no new funding under the EBF, but it is also projected to exceed the per-pupil funding shortfall that pertained at the end of FY 2018 – which was the first year the EBF was implemented. This effectively eliminates all the progress that was made in reducing this shortfall during the first three years of the EBF.



Source: CTBA analysis of ISBE FY2018, 2019, 2020 & 2021 EBF Calculation using Bureau of Labor Statistics ECI historical data.

That said, the worsening of the per-pupil funding shortfall depicted in **Figure 3** was not as bad as it could have been for two reasons. First, the total average enrollment from FY 2020 to FY 2021 decreased by approximately 18,000 students.<sup>12</sup> And because there are fewer students included in the calculation for determining how much funding districts need to provide an adequate education under the EBF, the total cost of meeting that threshold is reduced by formula.<sup>13</sup>

Second, the EBF includes a factor that accounts for the local fiscal capacity of the various school districts to fund education, primarily through the property tax.<sup>14</sup> In FY 2021, Illinois experienced a year-to-year increase of \$500 million in the local property tax capacity available for funding education, as determined under the EBF.<sup>15</sup> In combination with the decrease in average student enrollment, this increase in local resource availability offset a portion of the inflation-adjusted loss in state funding that occurred over the FY 2021-FY 2022 sequence.

Of course, the worsening of the per-pupil funding shortfall that occurred over the FY 2021-FY 2022 sequence had ramifications along racial and ethnic lines as well. For more information on the impact of the EBF by income, region, and Tier, please visit [ctbaonline.org](http://ctbaonline.org) periodically for new reports.

### 3. Annually Adjusting the Minimum Target Level of \$300M for Inflation until the EBF is Funded Fully

What if, instead of increasing K-12 funding by \$300 million annually in nominal dollars, the state instead adjusted that \$300 million dollar annual increase to account for inflation? For example, inflation grew by 2.7 percent last year.<sup>16</sup> Assuming a similar rate of inflation this year, the Minimum Target Level amount of \$300 million would have to be increased by 2.7 percent in FY 2023 to keep pace. This would result in a Minimum Target Level of \$308 million in FY 2023. Then in FY 2024, the \$308 million increase made in 2023 would be adjusted for inflation again, resulting in an even greater year-to-year increase in FY 2024 than what pertained in FY 2023, and so on after that.

If inflation continues to grow at the same average rate it did over the last twenty years, and going forward the Minimum Target Level increase was adjusted annually to account for inflation, it would still take until FY 2046 to fund the EBF fully in real terms, as shown in **Figure 4**.

**FIGURE 4**  
**EBF FUNDING AFTER ADJUSTING THE ANNUAL**  
**\$300M MINIMUM TARGET LEVEL FOR INFLATION (\$ MILLIONS)**

|   | FY2021           | FY 2022          | FY2030           | FY2040           | FY2046     |
|---|------------------|------------------|------------------|------------------|------------|
| <b>Total Amount Needed to Fund EBF Fully (infl. adj.)</b> | \$6,796          | \$6,940          | \$5,987          | \$2,970          | \$77       |
| <b>Total Dollars Put in Annually (infl.adj.)</b>          | \$0              | \$0              | \$371            | \$484            | \$77       |
| <b>Shortfall</b>  | <b>(\$6,796)</b> | <b>(\$6,940)</b> | <b>(\$5,616)</b> | <b>(\$2,486)</b> | <b>\$0</b> |
| <b>Total Nominal Dollars Put into EBF since FY 2018</b>   | \$979            | \$979            | \$3,689          | \$7,996          | \$10,946   |

*Source: CTBA analysis of ISBE FY2018, 2019, 2020 & 2021 EBF Calculation using Bureau of Labor Statistics ECI historical data*

Such an inflation adjustment would reduce the period of time it takes the state to fund the EBF fully by 13 years compared to keeping the increase at \$300 million in nominal dollars each year. That said, it would still take 28 years to fund the EBF fully, which is more than twice as long as required by the statute.

### 4. Increasing Annual Appropriations by Enough to Fund the EBF Fully in Ten Years, after Adjusting for Inflation

To fund the EBF fully in ten years, going forward Illinois would have to increase K-12 funding by an additional \$1.3 billion each year — or over four times the Minimum Target Level currently required by law — as shown in **Figure 5**.

FIGURE 5

## FULLY FUNDING THE EBF ON AN INFLATION-ADJUSTED BASIS IN 10 YEARS FROM EBF ENACTMENT (\$ MILLIONS)

|   | FY2021           | FY 2022          | FY2024           | FY2028     |
|---|------------------|------------------|------------------|------------|
| <b>Total Amount Needed to Fund EBF Fully (infl. adj.)</b> | \$6,796          | \$6,940          | \$6,017          | \$1,268    |
| <b>Total Nominal Dollars Put in Annually</b>              | \$0              | \$0              | \$1,268          | \$1,268    |
| <b>Shortfall</b>  | <b>(\$6,796)</b> | <b>(\$6,940)</b> | <b>(\$4,749)</b> | <b>\$0</b> |
| <b>Total Nominal Dollars Put into EBF since FY 2018</b>   | \$979            | \$979            | \$3,516          | \$8,588    |

Source: CTBA analysis of ISBE FY2018, 2019, 2020 & 2021 EBF Calculation using Bureau of Labor Statistics ECI historical data.

Flat funding the EBF in FY 2022, would require the state to increase the annual funding amount needed over the remaining 6 years — beginning in FY 2023 through FY 2028 — to \$1.3 billion, compared to the \$1.1 billion that would have pertained if the state began increasing funding in FY 2022.

## 5. Conclusion

When it enacted the EBF, Illinois put a funding system in place with the potential to ensure every school in the state has the capacity to meet the educational and social-emotional needs of all children it serves. However, that capacity will not exist until the EBF is fully funded. Unfortunately, at the current rate of investment, that happy day won't happen until, at best, 2059. Which means generations of Illinois children will continue to receive an inadequately funded education, at a time when education matters more than ever.<sup>17</sup>

Indeed, all the research shows that making an adequate investment in public education is not only beneficial for students, but for society as a whole.<sup>18</sup> In fact, those states that have done the best job of building the capacity of their public education systems have enjoyed a statistically meaningful advantage in economic growth over states that have not made adequate investments in education.<sup>19</sup>

Given its current, flawed tax policy, Illinois state government lacks the financial wherewithal to fund the EBF in a reasonable period of time. Building the state's fiscal capacity to invest an adequate amount of funding in education over a reasonable period of time is an urgent matter, one certainly made more difficult by the economic damage caused by COVID-19. Which is why it is imperative that legislators in both parties drop partisan differences and work with the governor to resolve the state's fiscal shortcomings as soon as practicable. Illinois' school children should not have to wait another four decades to receive an adequately funded public education.

## ENDNOTES

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<sup>1</sup> 105 ILCS 5/, Evidence-Based Funding for Student Success Act, (2017).

<sup>2</sup> 105 ILCS 5/, Evidence-Based Funding for Student Success Act, (2017).

<sup>3</sup> CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Years 2018, 2019, 2020

<sup>4</sup> “Economic and Fiscal Policy Report FY 2021,” Governor’s Office of Budget & Management, November 13, 2020, <https://www2.illinois.gov/sites/budget/Documents/Economic%20and%20Fiscal%20Policy%20Reports/FY2021/Economic%20and%20Fiscal%20Policy%20Report%20FY21%20FINAL.pdf>

<sup>5</sup> 105 ILCS 5/, Evidence-Based Funding for Student Success Act, (2017).

<sup>6</sup> CTBA analysis of (i) Governor’s Office of Management and Budget, Fiscal Year 2022 Proposed Budget, “Operating Budget Details (xls),” <https://www2.illinois.gov/sites/budget/Pages/default.aspx>; and (ii) Governor’s Office of Management and Budget, Fiscal Year 2022 Proposed Budget book, <https://www2.illinois.gov/sites/budget/Documents/Budget%20Book/FY2022-Budget-Book/Fiscal-Year-2022-Operating-Budget.pdf>.

<sup>7</sup> CTBA analysis of (i) Governor’s Office of Management and Budget, Fiscal Year 2022 Proposed Budget, “Operating Budget Details (xls),” <https://www2.illinois.gov/sites/budget/Pages/default.aspx>; and (ii) Governor’s Office of Management and Budget, Fiscal Year 2022 Proposed Budget book, <https://www2.illinois.gov/sites/budget/Documents/Budget%20Book/FY2022-Budget-Book/Fiscal-Year-2022-Operating-Budget.pdf>.

<sup>8</sup> 105 ILCS 5/, Evidence-Based Funding for Student Success Act, (2017).

<sup>9</sup> CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Year 2020

<sup>10</sup> CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Year 2020; ISBE FY 2021 EBF Base Funding Minimum Calculations.

<sup>11</sup> CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Year 2020; ISBE FY 2021 EBF Base Funding Minimum Calculations.

<sup>12</sup> CTBA analysis of ISBE 2020 Report Card data

<sup>13</sup> CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Year 2021

<sup>14</sup> CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Year 2020; ISBE FY 2021 EBF Base Funding Minimum Calculations.

<sup>15</sup> CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Year 2020; ISBE FY 2021 EBF Base Funding Minimum Calculations.

<sup>16</sup> CTBA analysis of Bureau of Labor Statistics, “Employment Cost Index Historical Listing: Civilian Compensation”, December 2020, <https://www.bls.gov/web/eci/ecicois.pdf>

<sup>17</sup> CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations Fiscal Years 2018, 2019, 2020 and ISBE FY 2021 EBF Base Funding Minimum Calculations; adjusted for inflation using Bureau of Labor Statistics, “Employment Cost Index Historical Listing: Civilian Compensation”, April 2020, <https://www.bls.gov/web/eci/ecicois.pdf>

<sup>18</sup> C. Kirabo Jackson, Rucker C. Johnson, Claudia Persico, The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms, *The Quarterly Journal of Economics*, Volume 131, Issue 1, February 2016, Pages 157–218, <https://doi.org/10.1093/qje/qjv036>

<sup>19</sup> Illinois State Board of Education, “Research Base Behind the Illinois Evidence-Based Funding Model.” <https://www.isbe.net/ebfspendingplan>