Fully Funding the Evidence-Based Formula

Four Scenarios

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Fully Funding the Evidence-Based Formula: Four Scenarios

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1. Introduction

On August 31, 2017, Illinois decision makers finally jettisoned one of the least-equitable K-12 public education funding formulas in the country and replaced it with the Evidence-Based Funding for Student Success Act, or EBF. 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 identifies a unique “Adequacy Target” of funding needed in each individual school district to implement the evidence-based practices that correlate to enhancing student achievement. The EBF then adjusts each district’s Adequacy Target 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. Then, the formula identifies how much of new state funding each district will receive based on how far away it is from its Adequacy Target, so that the greatest resources are invested in the districts with the greatest needs. (For a more detailed summary of the primary elements of the EBF, see CTBA’s report “Moving Forward.”)

After decades of Illinois underfunding education, and districts over-relying on property taxes to make up the difference, only 16.4 percent of the 853 school districts in Illinois had financial resources at or above their respective Adequacy Targets as of Fiscal Year (FY) 2019. This of course means that the vast majority – 713 districts or 83.6 percent – have fewer resources than what the evidence indicates is needed to educate the students they serve.

The good news is, Illinois now has a funding system in place with the potential to ensure every school throughout the state has the capacity to meet the educational and social-emotional needs of all children it serves – irrespective of income, race, ethnicity, or geography. The bad news is, according to the Illinois State Board of Education (ISBE), at the beginning of the 2018-2019 school year, the $7.89 billion appropriation for K-12 education was $7.35 billion short of what the EBF indicates was needed to reach that capacity.

As it stands now, the EBF requires that the state increase funding for K-12 education by at least $300 million annually. By statute, that minimum year-to-year increase can grow by up to an additional $50 million, depending on the aggregate claims made against a property tax relief fund created in the EBF. The statute also commits the state to funding the formula fully by June 30, 2027.

However, even if the annual increase in school funding reached the full $350 million maximum required by the statute, it would take decades to fund the current $7.35 billion shortfall on a fully inflation-adjusted basis. This means that the current maximum investment requirement under the EBF isn’t even enough to meet the statute’s stated goal of full funding within 10 years. This in turn
means that if K-12 funding only grows by the $350 million annual maximum under the statute, generations of K-12 students would continue to attend schools that lack the capacity to provide them with an adequate education.

The following issue brief identifies four different scenarios – by the number of years and amount of additional yearly investment which would be necessary – to fund the EBF on a fully inflation-adjusted basis. The 2.77 percent projected inflation rate used in this analysis was calculated based on the average annual increase in the Employment Cost Index (ECI) over the past 20 years. This analysis makes two assumptions: i) that the costs of the EBF elements remain constant over time; and ii) that inflation will continue to follow historic trends.

2. Appropriating an additional $350M yearly until the EBF is funded fully

If Illinois increases K-12 appropriations by the maximum $350 million amount established under current law each fiscal year for the next 20 years, the total new money put into the EBF would be $7.35 billion. However, that $7.35 billion investment would be in nominal, non-inflation-adjusted dollars. After adjusting for inflation, the actual amount of funding that would be needed in FY2040 would be $10.522 billion, to provide the same purchasing power as $7.35 billion did in 2019 dollars. This means that after 20 years of annual $350 million increases in K-12 funding, Illinois General Fund appropriations for K-12 would still be $3.172 billion short of what is needed to fund the EBF fully, as shown in Figure 1.

Figure 1

<table>
<thead>
<tr>
<th>EBF Shortfall in Millions of Inflation-Adjusted Dollars after $350M/year New Money for 20 Years</th>
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<td>Total Funding Needed to Fund EBF Fully (infl adj)</td>
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<td>Total New Money Put into EBF since FY2020</td>
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<td>Shortfall (infl adj)</td>
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Continuing down this path, if Illinois were to increase K-12 appropriations by a flat $350 million each year, it would take approximately 31 years to fund the EBF fully after adjusting for inflation, as shown in Figure 2.
3. Appropriating enough new money each year to fund the EBF fully in ten years

To fund the EBF fully in ten years, Illinois would have to increase K-12 funding by an additional $779 million each year – or more than double the maximum currently required by law – as shown in Figure 3.

4. Appropriating enough new money each year to fund the EBF fully in five years

To fund the EBF fully in five years, Illinois would have to increase K-12 funding by an additional $1.584 billion each year, as shown in Figure 4.
5. Conclusion

After decades of failing its children, particularly children of color and children in low-income communities across the state, Illinois is finally on a path to providing all children an adequate education. With the EBF, Illinois now has 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, the state is still over $7 billion short of making the investment needed to redress the decades of inequity and inadequacy under its prior “Foundation Formula” approach to education funding. (To learn more about the “Foundation Formula” approach, see CTBA’s report “Moving Forward”)

Research has shown time and time again that adequate investment in education is not only beneficial for students, but for society as a whole. 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. If Illinois were to invest enough in education to boost student achievement in math to the level of Minnesota, the highest achieving state in the nation, Illinois’ state GDP would be some 400 percent greater by 2095. (To learn more, see CTBA’s report “The Value Propositions Associated with Funding Research-Based K-12 Education Practices”)

Though the investment required to fund the EBF fully may seem significant, so are the economic, social, and fiscal benefits of doing so. The current $350 million maximum annual investment required under the EBF is insufficient to reach the statute’s own stated goal of full funding by 2027. Building the state’s fiscal capacity to invest more in education is an urgent matter, and 31 years is too long to wait for adequate and equitable education in Illinois.
ENDNOTES

2 CTBA analysis of ISBE Evidence-Based Funding Formula Distribution Full Calculations FY2019.
3 Public Act 100-0465