

**ILLINOIS' K-12 EVIDENCE-BASED FUNDING
FORMULA : DESIGN PRINCIPLES &
LESSONS LEARNED**

OVERVIEW

1. DEFINITIONS

How were the concepts of “adequacy”, “equity”, and “stability” defined in the work to design a K-12 funding system?

2. K-12 FORMULA DESIGN

What was the context and what are some important features of the K-12 formula?

3. PRINCIPLES & PRACTICE

What guiding principles were identified as critical during the development of the EBF, and why – what problems were they trying to solve for? How does the EBF operationalize those key principles and actually put them into practice?

Establishing common language around key concepts facilitated model design and advocacy.

DEFINING “ADEQUACY” IN K-12 FUNDING

- “The degree to which funding for schools is enough for students to reach some minimal level of educational outcomes”
- In other words, adequacy is the **amount of funding** it takes (the cost) to provide a **high quality education** to all students
- In the Evidence-Based model, the components of a high quality education – those that are used to estimate the cost of adequacy – are educational elements/inputs that research has shown have a significant and positive impact on student outcomes

DEFINING “EQUITY” IN K-12 FUNDING

Equity is the provision of **personalized resources** needed for all individuals to reach **common goals**. In other words, the goals and expectations are the same for all students, but the supports needed to achieve those goals depends on the students’ needs ([Equity Education, 2019](#)).



OLD FORMULA



EQUAL FUNDING



NEW FORMULA
Path to Equity and Adequacy

AN EQUITABLE K-12 FUNDING SYSTEM REQUIRES EQUITY BE BUILT INTO BOTH THE CALCULATION OF COSTS, EXPECTATIONS FOR LOCAL EFFORT, AND DISTRIBUTION OF NEW FUNDING

In an equitable system,

1. The **cost of adequacy will be higher for children with greater needs**, for whom research shows additional supports are needed/beneficial.
 - English Learners
 - Low-income students
 - Students with special needs
2. Expectations for local contributions toward adequacy (property tax revenue in K-12) **reflect differences in local wealth**
3. New state funds are **distributed most aggressively to districts furthest from their adequacy target**
 - If the state funds the formula reliably, districts will progress until all are funded at a similar percent of their adequacy target, including state and local resources

STABILITY IN THE FUNDING SYSTEM IS ALSO A KEY CONCEPT, AND ITS NECESSITY IS DEMONSTRATED BY RESEARCH

- Research shows that state investment in education results in significant gains in academic performance , increased graduation rates , economic growth, increased earnings and decreased unemployment and income inequality
- BUT, to have these positive impacts, increased funds must be appropriated in a stable and sustainable way and spent on evidence-based practices
- Stability means protection from cuts to state funding, especially cuts that are inequitable/regressive, as well as predictability in state investment year-over-year
 - In the EBF, this is achieved through a hold harmless (the Base Funding Minimum) so districts receive at least the same amount of state funding they received the prior year and the Minimum Funding Level which requires the state to put at least \$350M in new state funds into the formula each year

THOSE DEFINITIONS SERVED AS ANCHORS FOR CORE VALUES-BASED PRINCIPLES EVENTUALLY SOUGHT IN K-12 FUNDING REFORM

The following principles represented broad stakeholder input and were focused on outcomes

A school funding formula must...

1. Recognize individual student needs
2. Account for differences in local resources
3. Close funding gaps & keeps them closed
4. Provide a stable, sustainable system that gets all districts to adequacy over time
5. Ensure no district loses state funding compared to prior fiscal year

These principles were developed independently of any formula mechanics, and helped guide policy design and decision-making as well as ground advocacy efforts to create and pass the EBF.

IBHE's strategic plan laid out a set of principles along similar lines for higher education funding.

The K-12 formula was designed to put student needs first and prioritize adequacy, equity, and stability.

EDUCATION WAGE GAPS OVER TIME—YOU GOTTA LEARN TO EARN!!!

Education wage gap over time	1980	1990	2000	2010	2019	Percentage Change
College/high school	30.4%	38.7%	42.9%	43.7%	45.4%	50.7%
Advanced degree/high school	41.2%	50.6%	54.8%	56.8%	58.0%	40.8%

Source: CTBA analysis of BLS data; Wages are adjusted into 2019 dollars by the CPI-U-RS.

PRIOR TO THE EBF ILLINOIS' SYSTEM OF FUNDING EDUCATION (LIKE MOST STATES IN AMERICA) WAS NOT:

- **Adequate** to fund a quality education for all children;
- **Equitable** in how extant funding gets distributed;
- **Accountable** to stakeholders, students or their families;
- **Tied to evidence** covering those educational practices which the evidence shows actually enhance student achievement.

This produced disparities in educational opportunity that contribute to gaps in academic achievement along income, racial and ethnic lines---

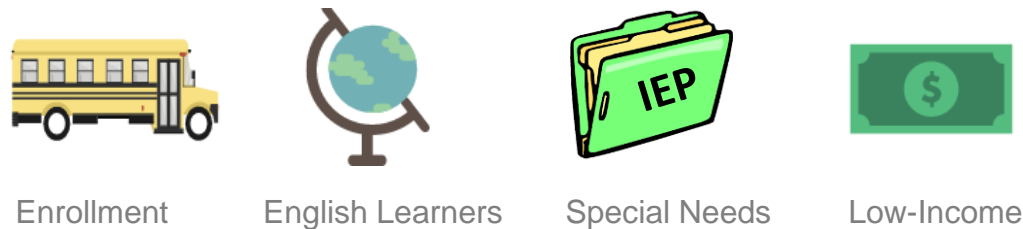
And directly diminished Illinois' economic competitiveness.

THE EBF FORMULA CALCULATES A UNIQUE ADEQUACY TARGET FOR EVERY SCHOOL DISTRICT

STEP 1 Calculate Cost of essential elements, or "Investment Cost Factors"



STEP 2 Apply specific elements to individual districts based on demographics



STEP 3 Adjust salary-based elements for regional wage differences



DISTRICT ADEQUACY TARGET

THE GOOD NEWS IS, THE DATA SHOW THAT TAKING AN EVIDENCE-BASED APPROACH TO INVESTING IN A QUALITY EDUCATION FOR EVERY CHILD BOTH:

- boosts academic achievement for all students-- irrespective of income, race or ethnicity--and
- generates a return on investment that boosts the economy making Illinois more competitive.

Source: EPI, “A Well-Educated Workforce Is Key to State Prosperity”; Hanushek, Ruhose & Woesmana; and <https://www.cbpp.org/research/state-budget-and-tax/its-time-for-states-to-invest-in-infrastructure>

OVERVIEW OF EBF

THE FORMULA PRIORITIZES EQUITY BY USING AN ADEQUACY-BASED COST MODEL AND AN EQUITABLE DISTRIBUTION FORMULA.

1. ADEQUACY BASED COST MODEL

How much does providing high quality education cost, based on individual student needs?

----- Adequacy Target



District 1



District 2



District 3

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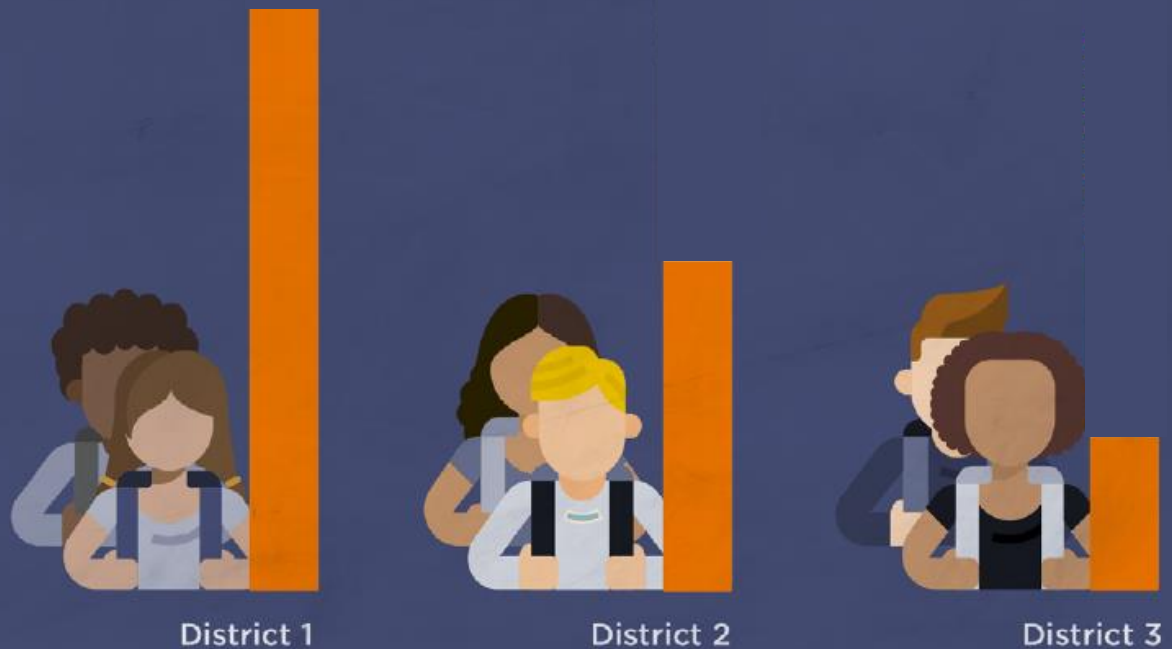
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2. EQUITABLE DISTRIBUTION FORMULA

How well funded is the district?

Local Capacity Target
How much can the district contribute?



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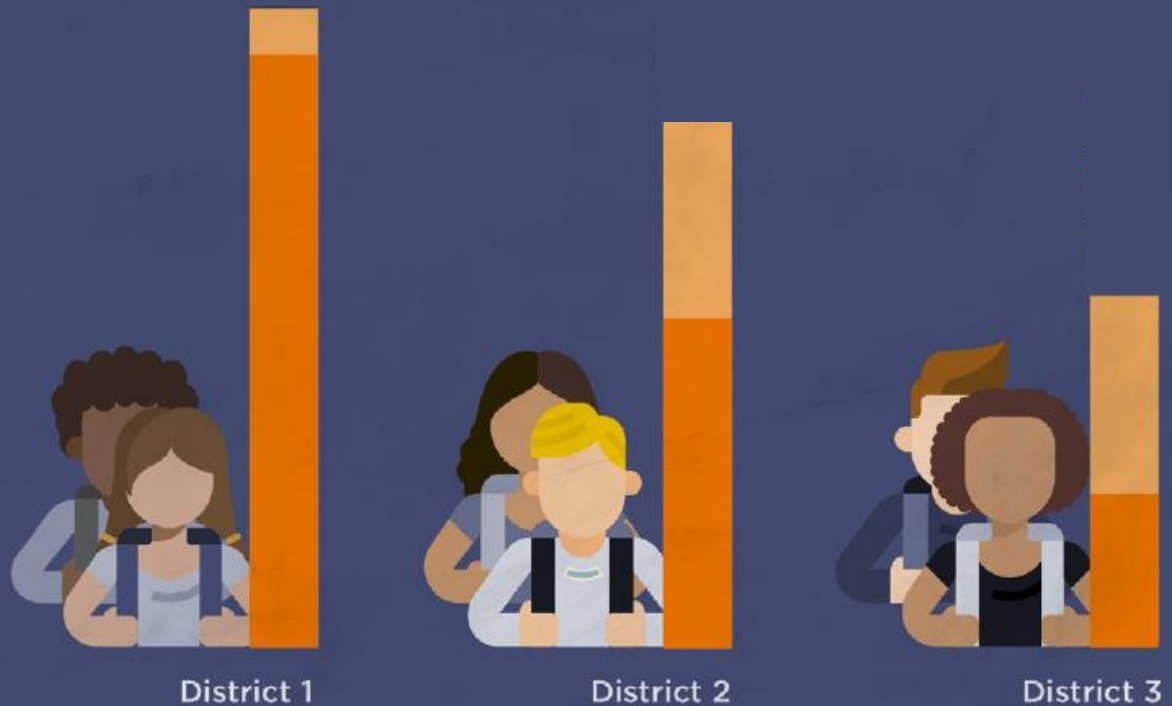
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 **Local Capacity Target**
How much can the district contribute?

 **Base Funding Minimum**
How much does the state currently contribute?



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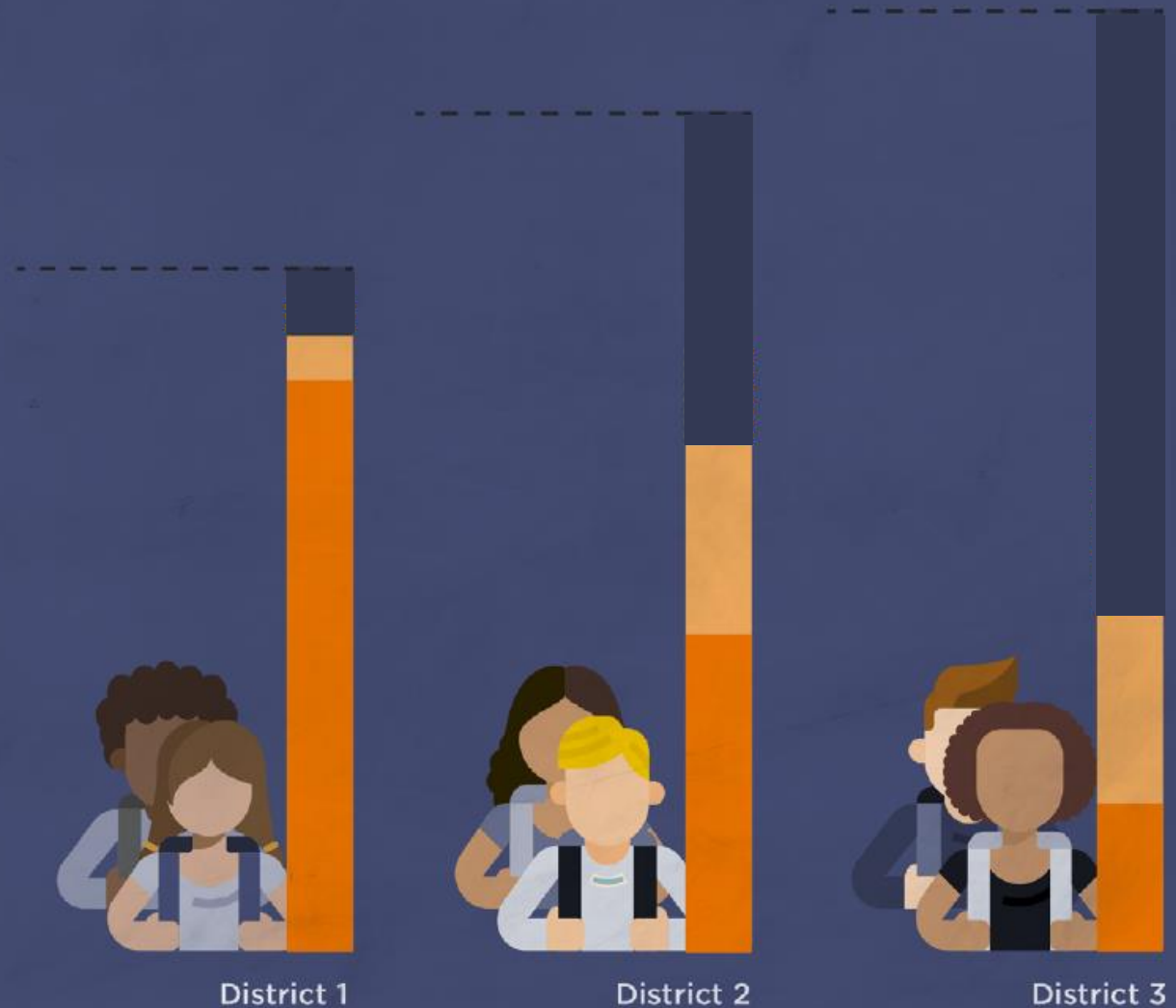
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 **Gap to Adequacy**



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
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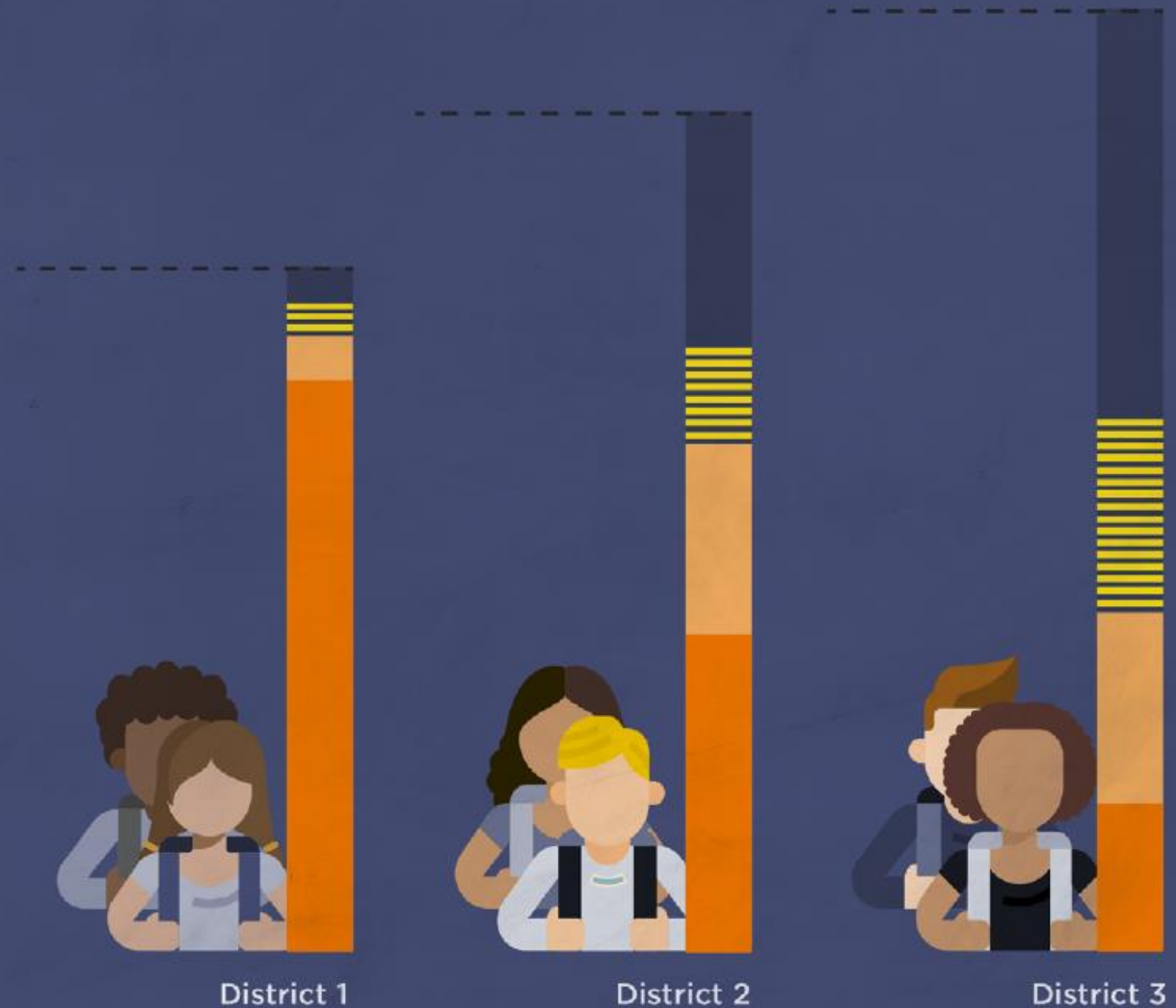
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 **New EBF Tier Funding**
How is new money from the state distributed?

 **Gap to Adequacy**



ALLOCATION BY TIER OF NEW STATE-LEVEL FUNDING UNDER THE EBF SINCE FY 2018 (NO NEW FUNDING IN FY 2021)

New Tier Funding	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total	% of New Money
Tier I	\$326,630,217	\$267,425,205	\$279,548,555	\$0	\$260,762,838	\$1,134,366,815	88.68%
Tier II	\$36,313,680	\$29,596,928	\$29,818,112	\$0	\$36,237,158	\$131,965,879	10.32%
Tier III	\$3,299,490	\$2,700,201	\$2,812,424	\$0	\$2,700,000	\$11,512,114	0.90%
Tier IV	\$366,609	\$300,022	\$312,491	\$0	\$299,999	\$1,279,121	0.10%
Total	\$366,609,996	\$300,022,356	\$312,491,581	\$0	\$299,999,996	\$1,279,123,929	100.00%

Source: CTBA analysis of ISBE EBF calculations

AVERAGE PER PUPIL ADEQUACY GAP BY RACE, FY 2018 AND FY 2022 (EXCLUDING TIER IV DISTRICTS)

Avg Adequacy Gap Per Pupil by Race/Ethnicity	Per Pupil Adequacy Gap, (weighted) 2018	Per Pupil Adequacy Gap, (weighted) 2022	\$ Change	% Change
White	\$ 3,620	\$3,572	(\$48)	-1%
Black	\$5,001	\$4,803	(\$198)	-4%
Latino	\$5,096	\$4,879	(\$217)	-4%
Total	\$ 4,370	\$4,256	(\$114)	-3%

Source: CTBA analysis of ISBE EBF calculations

POTENTIAL ROI FROM INVESTMENTS THAT INCREASE HIGH SCHOOL AND COLLEGE GRADUATION RATES

Action	Estimated Increase in Wages	Estimated Increase in Graduates
Increasing National High School Graduation Rate from 85% to 90%	\$7.516 Billion	215,502
Increasing National College Graduation Rate from 62% to 70%	\$13.979 Billion	255,567

Source: CTBA analysis of Table 502.30. Median annual earnings of full-time year-round workers 25 to 34 years old and full-time year-round; Table 219.57 Among 15- to 24-year-olds enrolled in grades 10 through 12, percentage who dropped out (event dropout rate), and number and percentage distribution of 15- to 24-year-olds in grades 10 through 12, by selected characteristics: Selected years, 2008 through 2018; and [High School Graduation rates](#); [College Graduation Rates](#)

Grounding in a set of core principles helped ensure the formula achieves key goals.

QUICK RECAP

PRINCIPLES	PRIOR TO EBF	SOLUTION IN EBF
1. Recognizes individual student needs	Distribution of state funds for K-12 was driven more by revenue availability than student need	EBF calculates a unique adequacy target for every school district based on student needs
2. Accounts for differences in local resources	Did not effectively account for the fact that IL relies heavily on property taxes to fund schools and wealthy districts are able to raise more revenue than property poor districts	Districts with greater property wealth are expected to contribute more toward their local schools' adequacy target than districts with little property wealth
3. Closes funding gaps & keeps them closed	The old funding system failed to make progress in closing equity gaps by race/ethnicity, property wealth, income, language status, and geography	New funding through the EBF tiers helps close gaps between current funding levels and adequate funding levels. Prioritizing districts furthest from full funding. It also allows us for us to consider gaps to adequacy rather than just between student groups.
4. Provides a stable, sustainable system that gets all districts to adequacy over time	The old funding system included a patchwork of grants and line items and was vulnerable to shocks or cuts to any of those	EBF established a Minimum Funding Level of \$350M to ensure the legislature continues to appropriate new funds through the formula each year
5. Ensures no district loses state funding compared to prior fiscal year	Prior to EBF, schools faced several years of regressive cuts (greater cuts to districts most reliant on state funding) to state funding	Each year, every district is "held harmless" and keeps the amount of state funding it received in the prior year. This state funding is referred to as the Base Funding Minimum (BFM).

Appendix

DEFINITIONS OF KEY CONCEPTS & VALUES-BASED PRINCIPLES AS A CRITICAL FOUNDATION

Adequacy – Setting funding targets that reflect evidence about what students need

Equity – Reflecting student need in the calculation of adequacy, recognizing differences in existing resources, and distributing new funding most aggressively to districts that are furthest from their adequacy targets/have the largest gaps

Stability – Creation of safeguards and commitments to protect from volatility/cuts, and ensure continual forward progress toward full funding

Principles provided a way to continually test and refine ideas for funding system design and allowed for the creation of a system that operationalized student-centered values, and was equitable, adequate, and stable

WHAT MOST STATES DO

- 35 states use a “Foundation” or base level of funding per pupil. But rarely tie it to the actual cost needed to educate even non-at-risk children—instead, state level fiscal capacity tends to drive K-12 funding levels
- The base Foundation amount is usually supplemented in formula:
 - 30 states supplement the base amount w/ a factor for low-income students
 - 27 states have a factor for ELL
 - 25 states have a factor for disability
 - 29 states have a factor for local property tax effort
- And frequently supplemented out of formula with categoricals for transportation, special ed, etc.
- Unfortunately, state funding systems today remain for the most part: inadequate in amount, inequitable in distribution, and over-reliant on property taxes as a revenue source.

ADDITIONAL PROVISIONS/COMPONENTS OF EBF AND THE K-12 CONTEXT WORTH CONSIDERING

- **Professional Review Panel (PRP)** – A body charged with continually updating costs in the adequacy formula to keep them current/accurate, evaluating the effectiveness of the formula every 5 years, and studying impact of proposed changes to the formula.
- **Attributable spend for specific student groups** – For English Learners, students from low-income households, and students with Individualized Education Plans, districts are required to actually spend the portion of their new Tier funding attributable to these groups (the portion of their Adequacy targets and corresponding portion of new funds in a given year) on services/supports that benefit these students.
- **District spending plans** – Districts must submit to ISBE a plan for spending their EBF funds each year that provides details on how they intend to spend attributable funds for each student group.
- **K-12 Accountability System** – All schools in the state are held responsible for educating students well, which includes such metrics as improving student proficiency as measured by test scores and graduation rates, ensuring students are growing and learning, and serving specific student groups well/equitably. Schools receive designations and are identified for supports and interventions based on these metrics. This acts as the basis for directing federal funds to schools, but also provides insight into school performance that can be put in conversation with their EBF data/ percent of adequacy.

WHILE THERE ARE LESSONS TO BE LEARNED FROM EBF, THERE ARE SEVERAL KEY DIFFERENCES BETWEEN THE K-12 AND HIGHER EDUCATION CONTEXTS IN ILLINOIS

- Variation between **scope and mission** between institutions (and between programs within institutions) adds complexity to costing out adequacy in the higher education context
- While K-12 is has compulsory **attendance requirements**, higher education has enrollment policies (and selective enrollment practices in some cases)
- K-12 has **legal requirements and expectation of services** and supports for diverse learners
- Consideration of both **undergraduate and graduate programs** and students, part-time vs full time students, etc.
- **Revenue sources** are different (no local property taxes in higher education but have tuition/fees, endowments, etc.)