

Illinois State Funding and its Impact on Geneva District 304

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Overview of State Funding Presentation

- Historical background and vocabulary
- Comparison of Illinois to other states
- Education in the Illinois State Budget
- Impact of State funding on Geneva's budget
- Outlook for the future
- Questions and discussion

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Education in the U.S. Constitution

- Amendment X-Powers not delegated to the U.S. by the Constitution...are reserved to the States respectively, or to the people. Education is one of these powers.
- Amendment XIV-....nor shall any State deprive any person of life, liberty or property without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.
 - Equal protection and education clauses of various state constitutions contain similar language to Article XIV.
 - Education clauses in state constitutions differ in their language.

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U.S. Supreme Court Bails on School Funding Cases in 1973

- In *Rodriguez vs. San Antonio*, Court found that:
 - Education was not mentioned as a fundamental right under the U.S. Constitution
 - Its funding by property taxes is common to states and reflects the principle of local control
 - Therefore, school funding cases belong in state courts to be decided under state constitutions and laws.
- This decision meant that plaintiffs in future school funding cases had to file in state courts.

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Illinois Constitution of 1970 Education Article

“A fundamental goal of the people of the State is the educational development of all persons to the limits of their capacities.

The State shall provide an efficient system of high quality public educational institutions and services. Education in public schools through the secondary level shall be free. There may be such other free education as the General Assembly provides by law.

The state has the primary responsibility for financing the system of public education.”

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How Illinois Funding Developed

- Original schools were dependent on property tax.
- As school populations increased and shifted towards urban areas, new district lines were drawn, thereby creating inequities in the distribution of taxable resources.
- Widely varying amounts of property wealth per pupil (pwp) among districts contributed to widely varying expenditure power.
- State created minimum foundation and equalizing state aid formulas to supplement the property tax and direct assistance to the districts in the lower ranges of pwp.
- But low levels of state funding contributed to variations in the adequacy of resources.

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The Illinois Courts Speak

- The Illinois finance system was upheld at all 3 court levels in *Committee for Educational Rights v. Edgar* (ISC 1996).
- Courts ruled that constitutional language and intent of writers did not require parity of funding or opportunity.
 - Legislature alone can determine “efficiency and thoroughness” and quality standards of the school system.
 - The Legislature is a preferable forum for such a debate to the courts where participants and views are limited.
- The theme, “It’s the Legislature’s, not the Court’s job to write school funding formulas,” can be found in many state court decisions on school funding challenges.

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Judging a State’s School Funding System and Budget

- States’ funding systems, including the local component, can be compared and evaluated on the extent to which they achieve
 - Equity
 - Adequacy
- By these criteria, Illinois has ranked in the lowest tier among the states in recent years, especially in funding equity.

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A Definition of “Equity”

- Equity in school funding is achieved when there is a fair and just means of distributing resources among all districts in a state, taking into account the differing abilities of districts to raise money through property taxes.
- If districts’ spending correlates highly with their property wealth, as in Illinois, equity is not present in that state’s funding system.
- Absent equity, the quality of a student’s education depends on the “accident” of where the student resides and the property tax wealth of that community.

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Measuring Adequacy

- Adequacy requires provision of sufficient resources to enable all schools to educate nearly all their students to the state’s proficiency standards.
- Illinois has used data on the expenditures of a sample of low-spending districts, with high achievement on State tests, as a reference point for determining the need for State support.
- Current funding levels are far below the figure generated by the spending level of the sample districts.
- Adequacy can also be measured by comparing a state to the spending levels of other states.

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How Illinois Ranks Among the States

- Each year, the publication *Education Week* grades the states on the extent to which they achieve funding equity and adequacy.
- The rankings are based on revenue and expenditure data compiled by the National Center for Education Statistics (NCES).
- Illinois has ranked in the bottom 5 or 10 in funding equity and low average in adequacy in recent years.
 - High correlation of districts' property wealth and spending level
 - Wide variations in property wealth and spending level that are not compensated by the state funding formula
 - An average 2009 state spending level of \$10,030, compared with the all-state average of \$11, 233.
 - The small percentage (27.4%) of students residing in districts which spend at or above the U.S. average. The all-state average is 40.6%.
- Percentage of school costs funded by State has declined over the years.

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Sources of School Funding

Year	% Local	% State	% Federal
1989-90	53.2	39.3	7.5
1994-95	58.4	32.4	9.2
1999-2000	52.9	37.8	9.3
2004-05	55.5	33.7	10.8
2008-09	60.5	27.6	11.9
Average of states 08-09	43.7	46.7	9.6

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FY 2012 State Budget Revenues

(Civic Federation Summary May 2011)

- General Fund revenues total \$33.9 billion, a projected \$3.8 billion increase over FY 2011.
 - 52% individual and corporate income taxes
 - 19% sales tax
 - 18% federal aid
 - 11% other, including utility, cigarette, liquor, inheritance, insurance, franchise, gambling taxes
- Recession hurt general fund revenues.
- Federal stimulus funds that filled gaps are ending and Medicaid reimbursement rates are expected to drop.
- Personal and corporate income tax increases account for most of the general fund revenue increase.

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Total State Budget Expenditures

(Civic Federation Summary May 2011)

- General funds subject to legislative appropriations total \$26.9 billion, an increase of \$1.1 billion from FY 2011.
- Major areas of expenditures are:
 - 48% for human services, including health care, Medicaid, family services, income support, community services.
 - 35% for education funding at all levels.
 - 10% for government operations
 - 6% for public safety
 - 1% for economic development and “quality of life.”

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The State Education Budget

(ISBE as of June 30, 2011)

- Total from state general funds: \$6.750 billion
 - Decreased \$269.4 million (3.8%) from FY11
- Federal grants administered by state total an additional \$3.46 billion
 - Federal funds decreased \$666.4 million from FY11.
 - Reflects in part the end of the economic stimulus grants
- Overall state/federal funding for schools decreased by \$935 million or 8.4% compared to FY11.
- Level of payment of state aid claims for this year, and delayed payments from last year, are uncertain.

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The State Education Budget

(Appropriations for selected grants and programs)

<u>General State Aid</u>	\$ 4.448 billion
<u>Mandated Categorical Grants</u>	
___ Special Education	1.537 billion
Transportation	205.8 million
“Orphanage” tuition	13 million
Free Lunch/Breakfast	26.3 million
<u>Selected Appropriations</u>	
___ Bilingual	63.4 million
Early Childhood	325.1 million
Standards, Assessments	26.1 million
Career/Technical, Ag. Ed.	40.4 million

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Major State Grants to Geneva 304

State grants contribute 7.5% of District Revenues

General State Aid	\$ 2,035,461
Special Education	
– Personnel and Students	1,700,000
– Special Transportation	400,000
Transportation	1,005,000-down \$615,000 from 2010-11
<u>All State Aid</u>	<u>\$ 5,383,809-down \$832,000 from 2010-11</u>
Approved but unpaid school construction grants for projects funded by 2008 bond issue	
If and when received, the money could be used towards paying off these bonds.	19,946,500
Construction grants pending approval	46,196,500

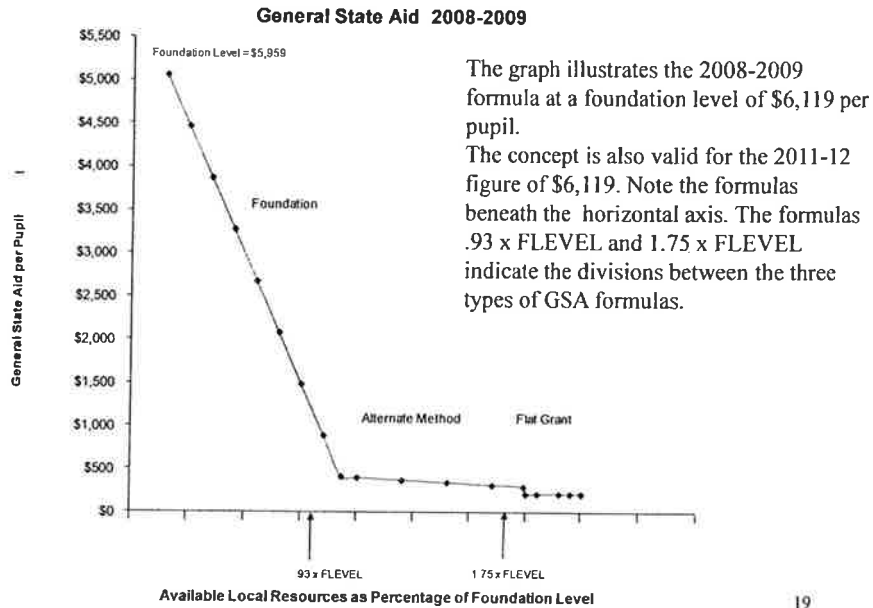
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General State Aid Seeks to Address Inequities of Local Property Wealth Among Districts

- General State Aid (GSA) provides unrestricted grants to districts in inverse proportion to their local property tax wealth per pupil.
- The formula for computing GSA is the “foundation formula.”
- The “foundation level” is the guaranteed minimum amount of money per student to be available to support the education of each student. It includes both a local property tax component and the state component.
- The foundation level for the past three years has been unchanged at \$6,119 per pupil. This is about the minimum actual expenditure level of all Illinois districts.
- Higher property-wealth districts, including Geneva, receive GSA computed under a different formula.

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GSA Distribution



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The 3 GSA Formulas

- The Foundation Formula generates the most State Aid to approximately 685 districts with the lowest property wealth per pupil.
- An "Alternate Method" formula generates about \$300 to \$425 per student to approximately 130 districts, mostly in the Chicago area, and including Geneva, which will receive about \$370/pupil this year.
- A "Flat Grant" of \$218 per student goes to the approximately 50 wealthiest districts, almost all in the Chicago suburbs.
- Supplemental GSA is paid based on a district's student poverty rate and to compensate for some of the property tax revenue that is not accessible due to the Tax Cap. Geneva receives very little of these supplements, only a little more than \$100,000 of each of them.
- Geneva's total GSA for 2011-12 is budgeted at \$ 2,035,461.
- Receiving minimal levels of state aid does not exempt districts from complying with all State mandates, funded or not.

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Teacher Pension Funding

- Illinois teachers do not qualify for or contribute to Social Security-an exemption dating to the beginning of Social Security, due to the Illinois teacher pensions at the time being more favorable than Social Security benefits.
- Therefore, teachers pay 9.4% of their salary by deduction to the Illinois Teachers Retirement System. District 304 makes only a legally-required contribution of less than 1% to TRS.
- Teachers who may qualify for Social Security as a result of other work will have those benefits reduced because of their state pension.

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Realities and Predictions

- State budget pressures were not fully relieved by the income tax increase, much of which has gone to paying off old bills.
- Significant increases in state education funding will require additional revenue measures, e.g. further income or sales tax increases.
- Priorities for state funding improvement will be districts at low end of property wealth scale and those with higher student poverty levels.
- General State Aid for higher wealth districts will, at best, be maintained at current levels, and could be reduced.
- State will struggle to maintain mandated categorical grants at current levels, and may cut back on grants in general, as was done this year with transportation. Geneva has lost \$250,000 annually in educational grant programs that are no longer funded.
- Federal budget pressures speak against further grants to states to “backfill” shortages in their state aid programs.

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