

*ILLINOIS ECONOMIC  
and  
FISCAL COMMISSION*

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*The Funding of Elementary & Secondary  
Education in Illinois*

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JULY, 2000  
703 Stratton Office Building  
Springfield, Illinois 62706

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# *The Funding of Elementary & Secondary Education in Illinois*

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## Introduction

The matter of school funding in the State of Illinois is a very controversial topic. The funding of elementary and secondary education consistently is met with questions regarding the purpose, reliability, and equity of the current program. Many state legislators feel that the current general state aid formula does not allow their districts to get the aid that they need and deserve. Many districts are losing state aid, and legislators want to know why.

Recently, Governor Ryan created an 18-member Educational Funding Advisory Board to evaluate the current general state aid formula. The board, which consists of 13 ex-officio members and five voting members, is required by law to recommend modifications to the formula to bring it up to date. The Educational Funding Advisory Board will hold hearings throughout the State of Illinois to receive input on school funding from educators, parents, and other members of the general public. The redistribution process of the general state aid formula is intended to spread educational funding to places where it is needed the most, but there are concerns with the methods that decide how this is done.

In response to topics such as this, the Illinois Economic and Fiscal Commission has prepared the following report to assist in the understanding of the general state aid formula and what factors have the most influence on how much aid a district receives. The report also points out areas of concern with the current formula and discusses various viewpoints and possible solutions that have been proposed to alleviate problems. There also will be a brief discussion on the educational distribution of the State's general funds.

### The Formula and its Variables

The general school aid formula, while often discussed, is rarely understood. Though the formula can be considered complicated due to its various formulas and multiple variables, its essence can be rooted in just two variables: the Equalized Assessed Value (EAV) of property within a school district and the district's Average Daily Attendance (ADA). A brief description of these two variables, along with a description of other pertinent items and formulas that make up the general state aid formula are shown below.

<i>Gen. State Aid EAV</i>	Equalized Assessed Value of property within a particular school district
<i>Adjusted Real EAV</i>	EAV after adjustments for Enterprise Zone, PTAB, etc.
<i>ADA</i>	Average Daily Attendance of a particular school district
<i>Low Income Count</i>	Latest Census Low Income Count
<i>CPPRT</i>	Corporate Personal Property Replacement Taxes
<i>Calculation Rate</i>	Statutorily Defined Rates: Unit=.0300, Elem.=.0230, High School=.0105
<i>Limiting Rate</i>	Rate calculated by County Clerk only for districts subject to Property Tax Extension Limitation Law
<i>OTR</i>	Operating Tax Rate
<i>Foundation Level</i>	Statutorily Defined Level: 1999-2000 School Year = \$4,325, 2001-2002 School Year and thereafter = \$4,425
<i>ELR</i>	Extension Limitation Ratio: $\frac{\text{Latest Original EAV} \times \text{Latest Limiting Rate}}{\text{Prior Year Original EAV} \times \text{Prior Year OTR}}$
<i>ALR</i>	Available Local Resources: if Adj. Real EAV is less than Prior Year Gen. State Aid EAV x ELR, or if the ELR = NA, then: $\text{ALR} = (\text{Adjusted Real EAV} / \text{Calc. Rate}) + \text{CPPRT}$ else: $\text{ALR} = (\text{General State Aid EAV} \times \text{ELR} / \text{Calc. Rate}) + \text{CPPRT}$

These variables decide which of three formulas are used to calculate the amount of aid for a particular school district. The three formulas are the *foundation formula*, the *alternative formula*, and the *flat grant formula*.

### Foundation Formula

The most common formula, called the foundation formula or the Special Equalization computation, was used by 711 of the 896 school districts for the FY 2000 appropriation

year. To be eligible for this particular method, a district's Available Local Resources (ALR) per Average Daily Attendance (ADA) percentage of the foundation level must be less than 93%. This formula then calculates a school district's gross General State Aid (GSA) entitlement by subtracting the ALR from the product of the Foundation Level and the ADA.

To simplify, Springfield School District #186 numbers will be used as an example (Appendix 1). For the 1999-2000 School Year, District #186's available local resources per ADA was \$3,274. This amount made up 76% of the foundation level of \$4,325. Because this percentage was less than 93%, the Special Equalization computation was utilized. The ALR for District #186 was \$44.9 million. Subtracting this amount from \$59.3 million (the product of the Foundation Level and the ADA) resulted in a Gross GSA entitlement of \$14.4 million. (Additional aid added to this \$14.4 million will be discussed later on).

### Alternative Formula

If the ALR per ADA percentage of the foundation level is greater than 93% but less than 175%, then the Alternate Formula would be used. This alternative method was used by 138 of the 896 school districts for the FY 2000 appropriation year. It is intended for those districts not quite wealthy enough to qualify for a flat grant, which will be discussed next. Under this linear method, the calculated general State aid per ADA declines in direct linear fashion from 0.07 times the Foundation Level for a school district with ALR equal to the product of 0.93 times the Foundation Level, to 0.05 times the Foundation Level for a school district of 1.75 times the Foundation Level. That amount is then multiplied by the ADA, resulting in the Gross GSA Entitlement.

By looking at the Pawnee School District (Appendix 2), we can see how this formula is applied. Pawnee has a percentage of foundation level of 0.9899. This falls between 93% and 175%, so the alternative method is used. The minimum percentage of 0.93 is

then subtracted from Pawnee's percentage of 0.9899 for a value of 0.0599. This number is then divided by 0.82 and then multiplied by 0.02 for a value of 0.0014. This value is then subtracted from 0.07 and then multiplied by the foundation level of \$4,425 to come up with the amount per ADA, which is \$297. Finally, this number is multiplied by Pawnee's ADA of 621 students, resulting in a gross GSA entitlement of just over \$184,000.

### *Flat Grant Formula*

School districts which are considered comparatively wealthy (have a percentage of foundation level greater than 175%), utilize the flat grant formula. This method was used by 47 of the 896 school districts for the FY 2000 appropriation year. This formula simply gives school districts a flat grant rate of \$218 times the ADA. The Coal City school district (Appendix 3) used this method for the 1998-1999 claim because their percentage of foundation level of 1.933 was greater than 1.75. Therefore, Coal City's ADA value of 1,642.5 was multiplied by the flat grant rate of \$218, resulting in a gross GSA entitlement of \$358,065.

*The Driving Forces: The Average Daily Attendance (ADA) and the Equalized Assessed Value (EAV)*

As seen in the above examples, the percentage of foundation level is a huge factor in determining how much aid a school district receives. But it is two variables, the ADA and the EAV, which are the driving forces of the foundation level percentage and, thus, the main contributors in calculating the GSA. Generally, if the EAV per ADA level of a district increases, the GSA will decrease, and vice versa.

The higher the ADA, the lower the amount of available local resources per ADA there are, which causes the percentage of the foundation level to be smaller. In other words, the more students there are in a school district, the less money per student exists through local funding. This smaller foundation level percentage formulates into a better chance for larger amounts of general state aid. Conversely, as the ADA decreases, the larger the amounts of available local resources per ADA exist. This results in a higher percentage of foundation level, which means less general state aid for a district.

The EAV also has a prominent influence on the foundation level, but in a different way. There is an inverse relationship between the EAV and the amount of general state aid a school district receives. More specifically, if the EAV in a district increases, there will likely be more Available Local Resources per student available. Therefore, the percentage of foundation level will grow, resulting in less general state aid for that district (assuming all other variables remain relatively constant). Likewise, lower EAV levels result in smaller amounts of Available Local Resources per student. This causes a reduced percentage of foundation level, which results in an increase in the amount of general state aid a district receives.

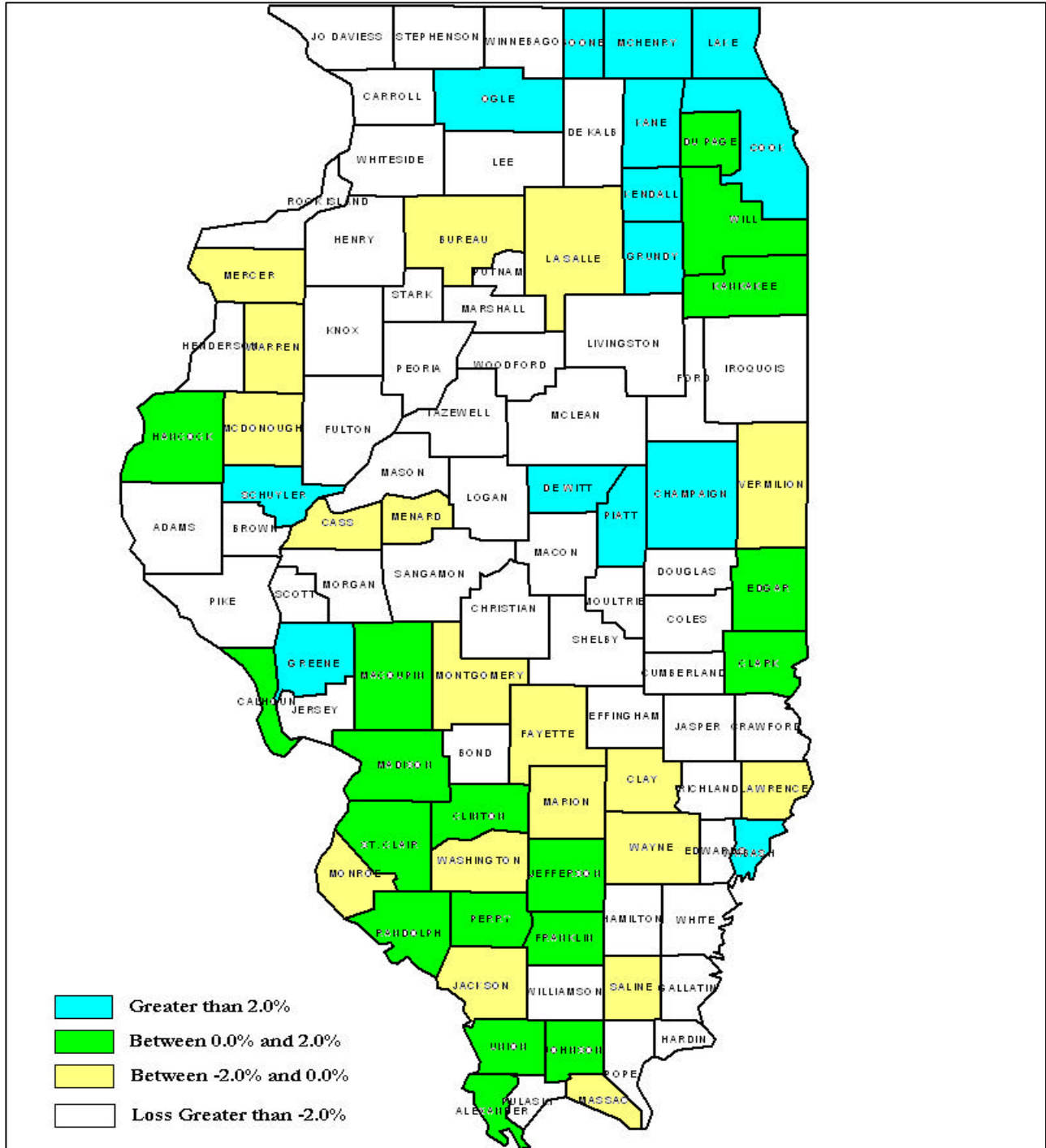
Because of this, the most likely scenario for general state aid to increase would be when EAV amounts decrease while ADA figures increase. On the other hand, the most likely scenario for general state aid to decrease would be when EAV amounts increase while ADA figures decrease. **The latter has been the trend for many districts in the**



**State, especially in downstate Illinois. This developing pattern is why the issue of changing the general state aid formula has been such a hot topic.**

The percentage changes in Gross GSA between the 1998-1999 and 1999-2000 school years by county are shown in Graph 1, on the following page. The majority of the counties with an increase in the GSA occurred in the Chicago Area and in southwestern Illinois. Conversely, most of the negative percentage changes tended to take place in a line from northwestern Illinois, through central Illinois, and down to southeastern Illinois. It should be noted that these percentage changes are on a county basis. For example, some central Illinois school districts may have had an increase in their GSA, while the county as a whole had a decrease.

**Graph 1**  
**Annual Percentage Change of Education's Gross General State Aid by County**  
**Between the 1998-1999 and 1999-2000 School Years**

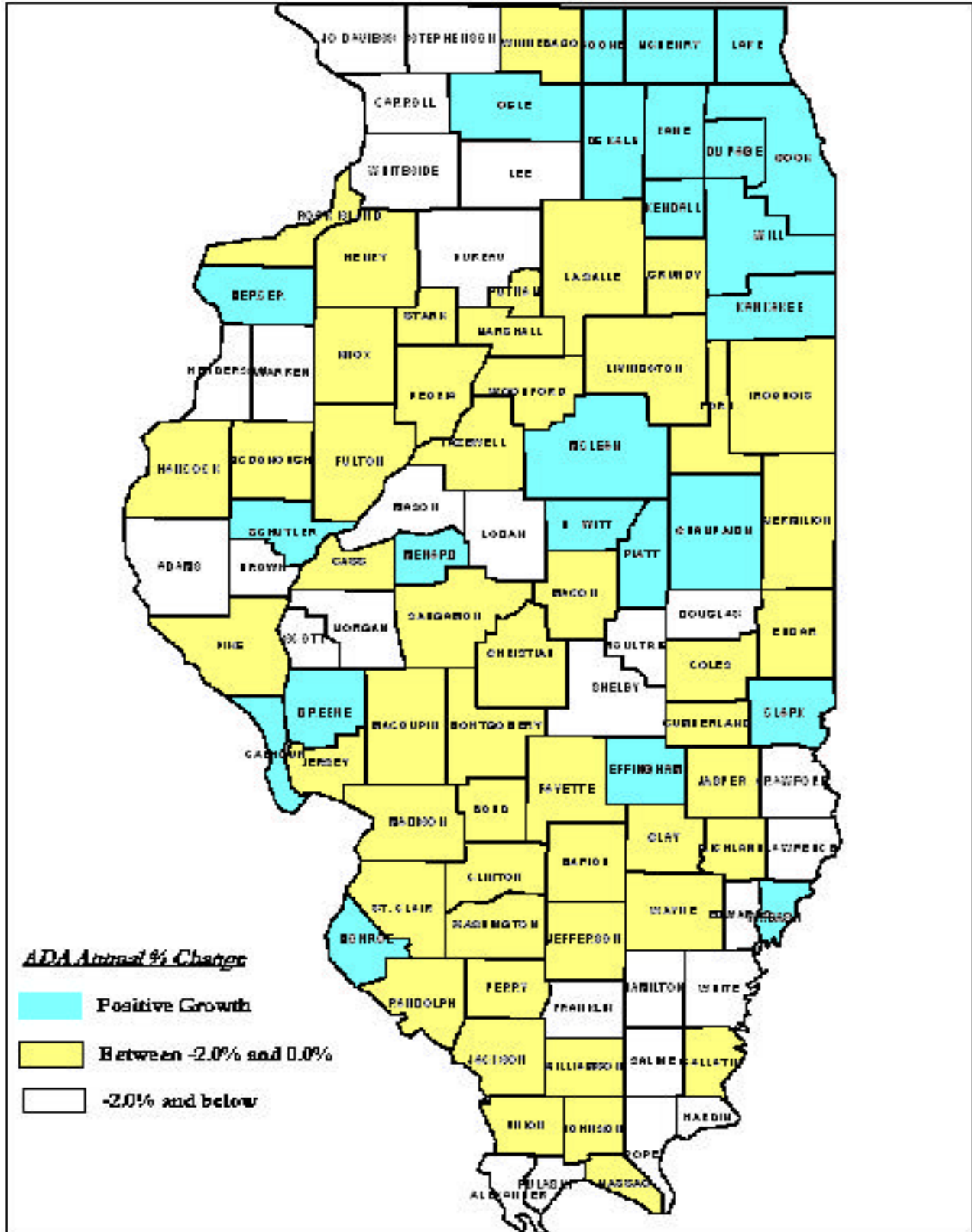


Graph 2, on page 9, shows the ADA annual percentage changes by county over the last two school years. This map shows where the increase in enrollment has occurred. Not surprisingly, the main increases are found in the Chicagoland area. This supports the point that an increase in the ADA most likely will result in an increase in GSA.

In Graph 3, on page 10, we can see the percentage changes in EAV between the 1998-1999 and 1999-2000 school years by county. The vast majority of the counties' EAV increased during this time. The largest gains tended to be concentrated in southeastern Illinois. Here again, it comes as no surprise that these same counties received less gross GSA than they did the prior year.

There are several situations where both the EAV and the ADA increase. In these cases, when analyzing the trends of the GSA, it depends on the extent to which each variable had changed. To help clarify this, Springfield School District #186 again will be used as an example. By entering District #186's data into the GSA formula for the 1998-99 Claim (found at [www.isbe.state.il.us/Funding/webgsa.html](http://www.isbe.state.il.us/Funding/webgsa.html)), and then increasing the Available Local Resources by \$100,000, a decrease in the GSA results. (Any change in the ALR is most likely due to a change in the EAV). To obtain the same amount of aid that would have been received, had there been no increase in the ALR, District #186 would have to increase their enrollment by approximately 23 students. *(It should be noted that this 23 students for every \$100,000 change is true for District #186, and not necessarily for every school district. Because of changes in foundation levels and rates, as well as inconsistencies with other variables, a statewide "dollar change for every number of students" base cannot be made. This example was merely used to show what effects each of the two variables could have on the gross GSA amount).*

*Graph 2*  
**Average Daily Attendance (ADA) Annual Percentage Change by County**  
*Between the 1998-1999 and 1999-2000 School Years*





Thus far the discussion has centered on the main part of the school aid formula and how it works. But, the General State Aid Formula also enables itself to supplement additional aid to school districts that need additional help that the base portion of the formula does not provide. This additional aid comes through two formats: the poverty grant and the hold harmless aid.

*The Poverty Grant*

On every General State Aid Worksheet, a district’s Low Income Concentration (LIC) is calculated. This value is found by dividing the district’s latest census low-income count by the school district’s ADA. That number is then used to determine how much additional aid, if any, a school district will receive. This aid is known as the poverty grant. Once the grant is determined, it is multiplied by the low-income eligible pupil count. The amount of each grant is determined by using the formula below. (A breakout for the number of districts receiving aid for the 2000-2001 school year in each category is also shown).

<u><i>Parameter</i></u>	<u><i>Poverty Grant</i></u>			<u><i># of Districts</i></u>
	<u><i>1998-1999</i></u>	<u><i>1999-2000</i></u>	<u><i>2000-2001</i></u>	
If LIC < .20 then	\$0	\$0	\$0	715
If .20 <= LIC < .35 then	\$800	\$800	\$800	8
If .35 <= LIC < .50 then	\$1,100	\$1,243	\$1,273	5
If .50 <= LIC < .60 then	\$1,500	\$1,600	\$1,640	33
If LIC >= .60 then	\$1,900	\$2,000	\$2,050	35

The impact that poverty grants have on some school districts is huge. Take the East St. Louis school district, for example. One of the largest districts in the state, the East St. Louis school district has an overwhelming percentage of its students classified as poverty stricken. By using the 1990 census data for low income and the 1998-1999 ADA, 89.1% or 8,657 of the 9,720 students in the district were living under the poverty level. Because the district had a LIC greater than 60%, East St. Louis was able to receive the 1999-2000 grant level of \$2,000 times the low-income number of

8,657 students. This amounted to \$17.3 million dollars in additional aid that the district received through this poverty grant. This aid is crucial to a district that had, by far, the lowest EAV per ADA ratio in the state.

### Hold Harmless

The other method of supplemental assistance comes through the hold harmless portion of the general state aid formula. This provision assures that no school district will receive less GSA than it did in FY 1998. The hold harmless provision began during the 1996-1997 school year to help school districts that were losing GSA funding due to changes in the GSA formula. In that year, the program's total cost amounted to \$22.6 million. The program continued for the 1997-1998 and 1998-1999 school years at a cost of \$44.0 million and \$55.8 million, respectively. In the 1999-2000 school year, the total cost declined to \$48.0 million. (This decrease in cost was primarily due to a high school district calculation rate change).

According to a report written by William L. Hinrichs, entitled "General State Aid Hold Harmless: How Long Can/Should It Last?", during the two-year period between the 1998-1999 and 1999-2000 school years, a total of 320 school districts received hold harmless funding. Of those, 261 districts received funding in each of those years, with 59 districts being removed from the hold harmless roles and another 59 being added in 1999-2000. **The report also shows that most of the districts that received less hold harmless aid in 1999-2000 than they did in 1998-1999 were found in suburban Cook and the collar counties.** The report also points out that the high number of decreases in suburban Cook were due to two reasons, "1) 1997 was an 'off' assessment year for those school districts, resulting in minimal increases or decreases in assessment, and 2) over half of the districts experienced increases in ADA."

This analogy leads to the point that school districts are most likely apt to receive hold harmless funding in situations where the EAV increase and the ADA decline. Again,

downstate Illinois has been on the receiving end of this scenario. As the Chicago area's school enrollments continue to increase, the ADA numbers for downstate have been on the decline. Not surprisingly then, of the downstate districts receiving hold harmless funding, 88% of them have increasing EAV per ADA ratios.

Graph 4, on the following page, shows the school district percentage of counties with hold harmless aid. From this graph, we can get a better feel of the areas where the held harmless aid was distributed.





### Continuing Appropriation

When the current formula was established, a continuing appropriation format was included which guarantees the amount of General State Aid funding for at least the first three years of its existence. This guarantee allows districts to know the exact level of funding that they can count on in current and out-year budgeting. Under the old formula, the amount of funding a district received depended on how much was appropriated to the State Board of Education. Under the current formula, the amount of funding comes directly from the general state aid formula and the variables entered. **After the 2000-2001 school year, this continuing appropriation guarantee will no longer exist. The continuation of this format for future years will have to be discussed by legislators and the Education Funding Advisory Board in the near future.**

Also, under the continuing appropriation is the hold harmless aid, but this too will expire after the 2000-2001 school year. If the continuing appropriation is not extended, there will be no guarantee of districts receiving funding through hold harmless aid, if that aid is not available through an appropriation. This is another hot topic that will need to be addressed in the near future.

### Concerns with the Current Formula

Hold harmless aid is one of several areas of concern with the general state aid formula. The concern with the hold harmless aid is that districts may become too dependent on this aid. If this aid is eliminated, which some feel it should, many counties will lose large amounts of money in comparison to what they have received in the past. Hold harmless aid is likely to continue to rise at a steady pace. Mr. Hinrichs writes in his paper, “that the total amount of spending on hold harmless over an eight year period could easily total in excess of \$600 million.” As hold harmless aid continues to grow, the general state aid formula’s importance seems to diminish. The current formula is not being allowed to work as it was intended; that is, to spread the educational funding

to places where it is most needed. Hold harmless is important after a transitional period, where new policies are enacted, but doubters are not sure of its importance at the present time.

The argument against stopping the hold harmless aid is that it gives counties that have increasing property values, and lower ADA levels (downstate counties, for example), aid that they had lost with the current GSA formula. But do they deserve this aid? Should districts with decreasing ADA figures still get the same amount of aid that they had before? If hold harmless aid is eliminated, should it be phased out, or should it be dropped all at once? One thought is to use a 3-year average of the ADA in the General State Aid formula to slow the downward drop of some district's GSA funding. By doing so, districts can be slowly weaned off the funding that would be taken from them if hold harmless aid was decreased or eliminated.

Another area of concern is the poverty grant. As stated earlier, the poverty grant is a very important aid to many districts throughout Illinois. However, there are many questions regarding the accuracy and fairness of the factors that determine whether or not a district receives a grant.

One fairness issue concerns the 20% minimum low-income concentration level. This minimum level creates a "cliff effect" that allows districts with a LIC level of 20% to receive several thousands of dollars worth of poverty grant aid, while leaving a district below 20% to receive no additional aid. This is the case for the Century Community Unit School District in Pulaski County. This district had an ADA of 516.11 and a low-income count of 103 students. This resulted in a low-income concentration level of 19.95%, just below the minimum grant level of 20%. Because of this, the Century school district received no poverty grant aid for the 1999-2000 school year. If their low-income count included one more student, Century would have qualified for the

grant with a LIC of 20.1%, which would have meant \$83,200 in additional aid for the school district.

Another example of this “cliff effect” is the Canton school district. If this district would have had three more low-income students, they would have received an additional \$411,200 in poverty grant aid. Instead, their LIC was 19.9%, which resulted in a poverty grant of \$0.

Most of the time, in order to receive higher amounts of general state aid, school districts would want their attendance figures to be as high as possible. But in school districts like Century and Canton it actually would have been more beneficial, financially, if they would have had a couple of their students drop out. In that case, the ADA figures would have been smaller resulting in a higher LIC percentage; thus, these districts would have received more money. It is true that these lower ADA figures would have decreased Century and Canton’s base GSA amounts; however, this decrease does not compare to the money that they lose by not receiving the poverty grant.

Situations like the Century and Canton school districts show the importance of the Low Income Concentration. (Again, the LIC is the districts low-income count divided by their ADA). The Average Daily Attendance numbers change from year to year, depending on the attendance of the students in that particular district. But the number that does not change that often is the low-income count number. Again, this number comes from the latest census figures, which currently is 1990. Economically and socially, a lot may have changed since 1990; yet the low-income numbers remain the same until the 2000 census figures are in. These out-of-date numbers could have a huge effect on the poverty grant distribution.

If, for example, a school district in 1990 was economically unstable, its low-income level was most likely relatively high. After several years, the district may have improved its status by bringing in businesses and creating new jobs. (The strength of today's economy makes this a very possible scenario). Therefore, the low-income level in their district probably has dropped considerably, yet the school district is still receiving poverty grants that it probably does not deserve. The problem comes when the new low-income numbers cause the district's LIC to drop considerably. This could eliminate thousands of dollars worth of aid that districts have counted on annually. Hold harmless aid may or may not be available to assist school districts when situations like this occur.

The other scenario occurs when districts that were economically stable at the beginning of a decade (resulting in a small low-income count), struggle throughout the rest of the decade because a business leaves (such as the closing of the General Motors Plant in Vermilion County in the early 1990s). In this situation, the district's small low-income count may prevent the district from receiving a poverty grant that they desperately need. Under the current formula, situations like this would not correct itself until the next census numbers are issued.

If the census numbers are insufficient, is this still the most accurate and timely measurement of children from low-income families? This is a question that is highly debated. Some say that the number of children receiving free or reduced price lunches should be used. But many question this method due to the "attitudes" of some children who do not want to be labeled as a free-lunch recipient, therefore, causing the data to be inaccurate. Others say that the count of children in families receiving TANF or Food Stamps should be used. But questions regarding the reliability of this system come up as well. There is no doubt that something must be done to improve this system, but no one seems to know what. Any change in the method of measuring the

poverty status will have a significant and controversial effect on the redistribution of General State Aid funds.

If school districts are not receiving much funding through the general state aid formula, it is most likely due to the large amount of aid that they receive through local property taxes. But there is a common complaint in Illinois that property taxes are too high. One method suggested to relieve this problem is to shift to an income tax basis of funding. This would lower property taxes by replacing them with higher income taxes. However, this could dramatically alter the current general state aid formula.

A recent poll taken by the Taxpayer's Federation of Illinois' June/July edition of *Illinois Tax Facts* examined such a change. In it, Illinois residents were asked whether they would consider switching to an income tax method of school funding. Fifty-five percent of the respondents said that they would favor such a shift. However, this percentage dramatically dropped to 29% when the same respondents were asked if they would favor such a method change, even if it resulted in less money coming into their own school district.

The same poll also asked the question of whether people would favor redistributing property taxes from businesses throughout Illinois, rather than to keep the taxes in the district of origin. Sixty-two percent of the respondents were in favor of this proposal. But again, when the same people were asked if they would support this method if it meant their district could possibly receive less money than under the current system, only 46% of the respondents favored the method.

One concern with the general state aid formula that has been addressed was the "double whammy" problem. After property tax caps were introduced in the early 1990s, several school districts, especially in the collar counties, argued that they were losing property tax money (whammy 1) and that they were losing state aid (whammy 2) due to

these caps. While aid did not actually decrease because of the caps, it is true that the General State Aid formula did not make a tax cap adjustment to send these districts additional state funding. To correct this problem, P.A. 91-0111 (HB 1134) was created, which eliminated the State Aid Adjustment (Double Whammy) grant by incorporating the calculation of that grant into the General State Aid formula.

### Elementary and Secondary Educational Budgeting

Politically, educational funding is a very popular issue with the constituents. According to *Illinois Tax Facts*, education ranked above crime and taxes as the major area of concern for Illinois residents. Nearly one-fourth of Illinois residents felt that education is the most important problem facing Illinois today. To the people of Illinois, it seems that the higher the percentage that education makes up of the total budget, the happier they are. In FY 1999, elementary and secondary education made up 23.9% of the entire State general funds budget. This is the highest this percentage has been since FY 1991 when the percentage was 24.4%. The chart below shows elementary and secondary education's percentage of the total State general fund's budget each fiscal year since 1990.

<i>History of Elementary and Secondary Education Spending</i>					
<b>Fiscal Year</b>	<b>Total Elem &amp; Sec Ed</b>	<b>Annual % Change</b>	<b>Total GR Spending</b>	<b>Annual % Change</b>	<b>SB of Ed % of Total</b>
<b>1990</b>	<b>\$3,312.7</b>	-	\$13,180.0	-	25.0%
<b>1991</b>	<b>\$3,351.8</b>	1.18%	\$13,736.0	4.22%	24.4%
<b>1992</b>	<b>\$3,371.8</b>	0.60%	\$14,438.0	5.11%	23.3%
<b>1993</b>	<b>\$3,332.3</b>	-1.17%	\$14,793.0	2.46%	22.5%
<b>1994</b>	<b>\$3,477.6</b>	4.36%	\$15,978.0	8.01%	21.7%
<b>1995</b>	<b>\$3,662.6</b>	5.32%	\$17,221.0	7.78%	21.2%
<b>1996</b>	<b>\$3,882.4</b>	6.00%	\$18,087.0	5.03%	21.3%
<b>1997</b>	<b>\$4,173.7</b>	7.50%	\$18,517.0	2.38%	22.4%
<b>1998</b>	<b>\$4,634.3</b>	11.03%	\$19,672.0	6.24%	23.4%
<b>1999</b>	<b>\$5,382.8</b>	16.15%	\$21,527.0	9.43%	23.9%
<b>2000*</b>	<b>\$5,577.0</b>	3.61%			
<b>2001**</b>	<b>\$5,904.1</b>	5.86%			
* FY00 with all supplementals					
** FY01 that passed General Assembly					
SOURCES: Bureau of the Budget and various Comptroller Reports					

Three parts make up the elementary and secondary education portion of the state budget: the Illinois State Board of Education (ISBE), teacher's health insurance, and the teacher's retirement system. The ISBE made up nearly 96% of this portion in FY 1999 with an appropriation of \$5,148.8 million. In FY 2000, the ISBE was appropriated



\$5,541.8 million (an annual increase of 7.6%). In FY 2001, the ISBE is expected to receive \$5,856.5 million (an annual increase of 5.7%).

The general funds of the Illinois State Board of Education's FY 2001 appropriation can be broken down into the following twelve categories:

<i>Initiatives</i>	<i>FY 2001 Approp.*</i>	<i>Percent of Total</i>
Distributive Grants	\$4,440.7	86.57%
Standards, Assessment & Accountability	\$31.4	0.61%
Ensuring Quality Ed. Personnel	\$31.4	0.61%
Reading & Mathematics	\$97.0	1.89%
Birth to Eight	\$180.1	3.51%
Academic Difficulty	\$48.7	0.95%
Learning Technologies	\$49.3	0.96%
School Infrastructure	\$0.6	0.01%
Education to Careers	\$89.1	1.74%
Regional Offices of Education	\$23.2	0.45%
Administration	\$28.8	0.56%
Targeted Initiatives	<u>\$109.1</u>	<u>2.13%</u>
<b><i>TOTAL</i></b>	<b><i>\$5,129.3 million</i></b>	<b><i>100.00%</i></b>
* \$ in Millions		

### *Distributive Grants*

The main part of the distributive grants is, of course, the General State Aid. GSA and the Hold Harmless aid make up a little over 69.1% of the distributive grants in FY 2001, with a total appropriation of \$3,070.0 million.

Another large portion comes from 100% funded categorical grant programs, which make up \$1,221.1 million, or 27.5% of the distributive grants. These categorical grants help fund various programs including Bilingual Education, the Illinois Free Lunch/Breakfast Program, Orphanage Tuition, Regular/Vocational Transportation, and several Special Education programs. The ISBE plans on continuing to introduce new legislation that will amend several of the mandated categorical formulas in an effort to make these programs more efficient and appropriate.

The requirements for eligibility for the categorical grants vary from one to another. Though the categorical grants fund programs from all over the State, many of the recipients are from Chicago. For example, according to ISBE's FY 2001 Budget Book, the categorical grant for bilingual education served 62,092 Chicago students in FY 2000, compared to 55,977 downstate students. As a result, Chicago received the majority of the funds for this particular grant. For many of the categorical grants, the Chicago school district receives a percentage of the final grant appropriation as part of the Chicago Block Grant. This enables the Chicago school district to fund programs in their district as they see fit.

Another \$111.6 million, or 2.5% of the distributive grants, comes from the School Safety and Education Improvement Block Grant. The Senate Appropriation Committee Chair has indicated the desire for more funds distributed through block grants in order to decrease the amount distributed through competitive grants. According to the ISBE, more work is needed in evaluating the distribution methods and the specific program goals and outcomes of these grants to give the legislature a better understanding of what they are getting for their investments in education.

The remaining one-percent of the distributive grants comes from various programs including district consolidation costs, the School Breakfast Incentive Program, and the Transportation Loan Program.

### Summary

For the most part, the General State Aid formula does what it is supposed to do. It distributes secondary and elementary educational aid in a manner that allows funding to go to the districts that need it the most. However, there are concerns with the system. Programs like Hold Harmless and the Poverty Grant must be reevaluated to see if better methods are available. Decisions will have to be made on whether programs such as continuing appropriations should proceed or not. And, like it or not, the EAV and the ADA will continue to be the driving forces deciding how much aid a district receives, until current methods are changed. But, no matter what area of the State budget dealing with educational funding is discussed, it must be met with the full understanding that this popular and controversial subject will be watched closely through the eyes of Illinois residents.

**Appendix 1**  
**Springfield District 186**

<b>General State Aid Worksheet</b>			
<b>for the 1998-99 Claim Payable in 1999-2000</b>			
	District		Foundation Level = \$4,325.00
<b>DATA SECTION</b>			
1A. 1997 Adjusted Real EAV	\$1,367,617,926	2. 1998-99 ADA	13,723.47
1B. 1996 Adjusted Real EAV	\$1,292,405,469	3. 1996 CPPRT (Rec'd in 1997)	\$4,285,096.77
1. 1997 General State Aid EAV	\$1,354,699,412		
		4. Calculation Rate	0.0300
		<small>(Unit=.0300, Elementary=.0230, High School=.0105)</small>	
5. 1990 Census Low Income Count	3,224		
6. District Low Income Concentration	0.2349		
		1997 Original EAV	\$1,367,617,926
7. Available Local Resources	\$44,926,079.13	1997 Limiting Rate	3.86690
8. Available Local Resources per ADA	\$3,273.66	1996 Original EAV	\$1,293,823,993
9. Percentage of Foundation Level	0.7569	1996 OTR	3.89930
		1997 Extension Limitation Ratio	1.048200
1997-98 Hold Harmless Base			
<b>SECTION A - FOUNDATION FORMULA</b>			
10. Foundation Level X ADA	\$59,354,007.75		
11. Available Local Resources	\$44,926,079.13		
12. FOUNDATION FORMULA AMOUNT	\$14,427,928.62		
<b>SECTION B - ALTERNATE FORMULA</b>			
13. Line 9 minus .93	0.0000	14. Line 13 divided by .82	0.0000
15. Line 14 times .02	0.0000	16. .07 minus Line 15	0.0000
17. Amount per ADA	\$0.00		
18. ALTERNATE FORMULA AMOUNT	\$0.00		
<b>SECTION C - FLAT GRANT FORMULA</b>			
19. FLAT GRANT FORMULA AMOUNT (\$.218 x ADA)	\$0.00		
<b>SECTION D - POVERTY GRANT</b>			
	If Line 6 < .20 then	Poverty Grant = \$0	
	If .20 <= Line 6 < .35 then	Poverty Grant = \$800 x Line 5	
	If .35 <= Line 6 < .50 then	Poverty Grant = \$1,243 x Line 5	
	If .50 <= Line 6 < .60 then	Poverty Grant = \$1,600 x Line 5	
	If Line 6 >= .60 then	Poverty Grant = \$2,000 x Line 5	
20. Amount per Low Income Count	\$800		
		Hold Harmless Base	\$0.00
21. POVERTY GRANT	\$2,579,200.00		
22. GROSS GSA ENTITLEMENT	\$14,427,928.62	Hold Harmless	\$0.00
23. GENERAL STATE AID (Gross GSA Entitlement + Poverty)	\$17,007,128.62	GSA + HH	\$17,007,128.62

**Appendix 2**  
**Pawnee School District**

<b>General State Aid Worksheet</b>			
<b>for the 1998-99 Claim Payable in 1999-2000</b>			
	<u>District</u>		Foundation Level = \$4,325.00
<b>DATA SECTION</b>			
1A. 1997 Adjusted Real EAV	\$44,686,755	2. 1998-99 ADA	620.86
1B. 1996 Adjusted Real EAV	\$43,479,280	3. 1996 CPPRT (Rec'd in 1997)	\$1,317,560.31
1. 1997 General State Aid EAV	\$44,686,755		
		4. Calculation Rate	0.0300
		(Unit=.0300, Elementary=.0230, High School=.0105)	
5. 1990 Census Low Income Count	40		
6. District Low Income Concentration	0.0644		
		1997 Original EAV	\$44,686,755
7. Available Local Resources	\$2,658,162.96	1997 Limiting Rate	0.00000
8. Available Local Resources per ADA	\$4,281.42	1996 Original EAV	\$43,479,280
9. Percentage of Foundation Level	0.9899	1996 OTR	3.53840
		1997 Extension Limitation Ratio	Not Applicable
1997-98 Hold Harmless Base			
<b>SECTION A - FOUNDATION FORMULA</b>			
10. Foundation Level X ADA	\$0.00		
11. Available Local Resources	\$0.00		
12. FOUNDATION FORMULA AMOUNT	\$0.00		
<b>SECTION B - ALTERNATE FORMULA</b>			
13. Line 9 minus .93	0.0599	14. Line 13 divided by .82	0.0730
15. Line 14 times .02	0.0014	16. .07 minus Line 15	0.0686
17. Amount per ADA	\$296.69		
18. ALTERNATE FORMULA AMOUNT	\$184,202.95		
<b>SECTION C - FLAT GRANT FORMULA</b>			
19. FLAT GRANT FORMULA AMOUNT (\$218 x ADA)	\$0.00		
<b>SECTION D - POVERTY GRANT</b>			
If Line 6 < .20 then	Poverty Grant = \$0		
If .20 <= Line 6 < .35 then	Poverty Grant = \$800 x Line 5		
If .35 <= Line 6 < .50 then	Poverty Grant = \$1,243 x Line 5		
If .50 <= Line 6 < .60 then	Poverty Grant = \$1,600 x Line 5		
If Line 6 >= .60 then	Poverty Grant = \$2,000 x Line 5		
20. Amount per Low Income Count	\$0		
		Hold Harmless Base	\$0.00
21. POVERTY GRANT	\$0.00		
22. GROSS GSA ENTITLEMENT	\$184,202.95	Hold Harmless	\$0.00
23. GENERAL STATE AID (Gross GSA Entitlement + Poverty)	\$184,202.95	GSA + HH	\$184,202.95

**Appendix 3**  
**Coal City School District**

<b>General State Aid Worksheet</b>			
<b>for the 1998-99 Claim Payable in 1999-2000</b>			
	District		Foundation Level = \$4,325.00
<b>DATA SECTION</b>			
1A. 1997 Adjusted Real EAV	\$425,567,212	2. 1998-99 ADA	1,642.50
1B. 1996 Adjusted Real EAV	\$415,333,934	3. 1996 CPPRT (Rec'd in 1997)	\$965,130.35
1. 1997 General State Aid EAV	\$425,567,212		
		4. Calculation Rate	0.0300
		(Unit=.0300, Elementary=.0230, High School=.0105)	
5. 1990 Census Low Income Count	40		
6. District Low Income Concentration	0.0243		
		1997 Original EAV	\$425,567,212
7. Available Local Resources	\$13,732,146.71	1997 Limiting Rate	0.00000
8. Available Local Resources per ADA	\$8,360.51	1996 Original EAV	\$415,333,934
9. Percentage of Foundation Level	1.9330	1996 OTR	2.62930
		1997 Extension Limitation Ratio	Not Applicable
1997-98 Hold Harmless Base			
<b>SECTION A - FOUNDATION FORMULA</b>			
10. Foundation Level X ADA	\$0.00		
11. Available Local Resources	\$0.00		
12. FOUNDATION FORMULA AMOUNT	\$0.00		
<b>SECTION B - ALTERNATE FORMULA</b>			
13. Line 9 minus .93	0.0000	14. Line 13 divided by .82	0.0000
15. Line 14 times .02	0.0000	16. .07 minus Line 15	0.0000
17. Amount per ADA	\$0.00		
18. ALTERNATE FORMULA AMOUNT	\$0.00		
<b>SECTION C - FLAT GRANT FORMULA</b>			
19. FLAT GRANT FORMULA AMOUNT ((\$218 x ADA)	\$358,065.00		
<b>SECTION D - POVERTY GRANT</b>			
	If Line 6 < .20 then	Poverty Grant = \$0	
	If .20 <= Line 6 < .35 then	Poverty Grant = \$800 x Line 5	
	If .35 <= Line 6 < .50 then	Poverty Grant = \$1,243 x Line 5	
	If .50 <= Line 6 < .60 then	Poverty Grant = \$1,600 x Line 5	
	If Line 6 >= .60 then	Poverty Grant = \$2,000 x Line 5	
20. Amount per Low Income Count	\$0		
		Hold Harmless Base	\$0.00
21. POVERTY GRANT	\$0.00		
22. GROSS GSA ENTITLEMENT	\$358,065.00	Hold Harmless	\$0.00
23. GENERAL STATE AID (Gross GSA Entitlement + Poverty)	\$358,065.00	GSA + HH	\$358,065.00

## **BACKGROUND**

The Illinois Economic and Fiscal Commission, a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

- 1) Preparation of annual revenue estimates with periodic updates;
- 2) Analysis of the fiscal impact of revenue bills;
- 3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;
- 4) Periodic assessment of capital facility plans; and
- 5) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes two primary reports. The "Revenue Estimate and Economic Outlook" describes and projects economic conditions and their impact on State revenues. "The Illinois Bond Watcher" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The Commission also periodically publishes special topic reports that have or could have an impact on the economic well being of Illinois.

These reports are available from:

Illinois Economic and Fiscal Commission  
703 Stratton Office Building  
Springfield, Illinois 62706  
(217) 782-5320  
(217) 782-3513 (FAX)

Reports can also be accessed from our Webpage:

**[http://www.legis.state.il.us/commission/ecfisc/ecfisc\\_home.html](http://www.legis.state.il.us/commission/ecfisc/ecfisc_home.html)**