



EFAB Discussion

October, 2009

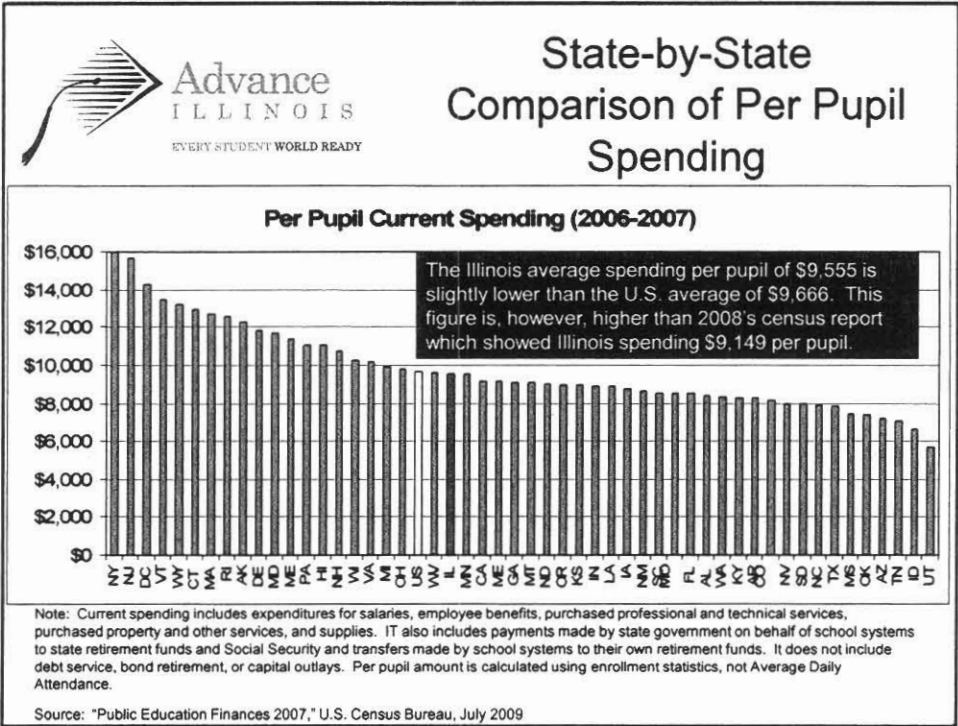


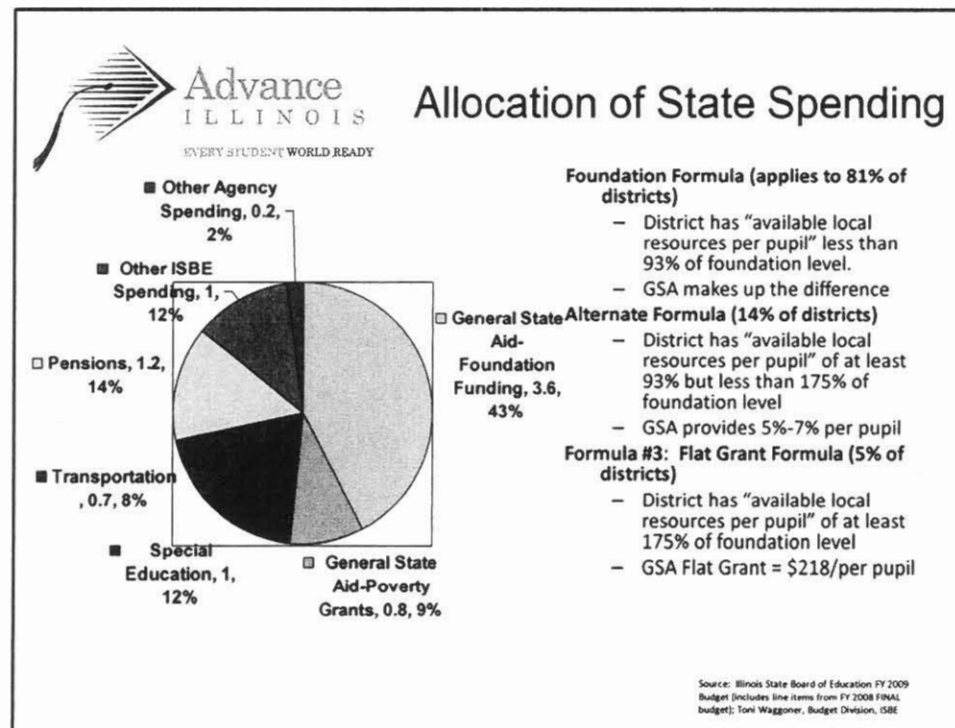
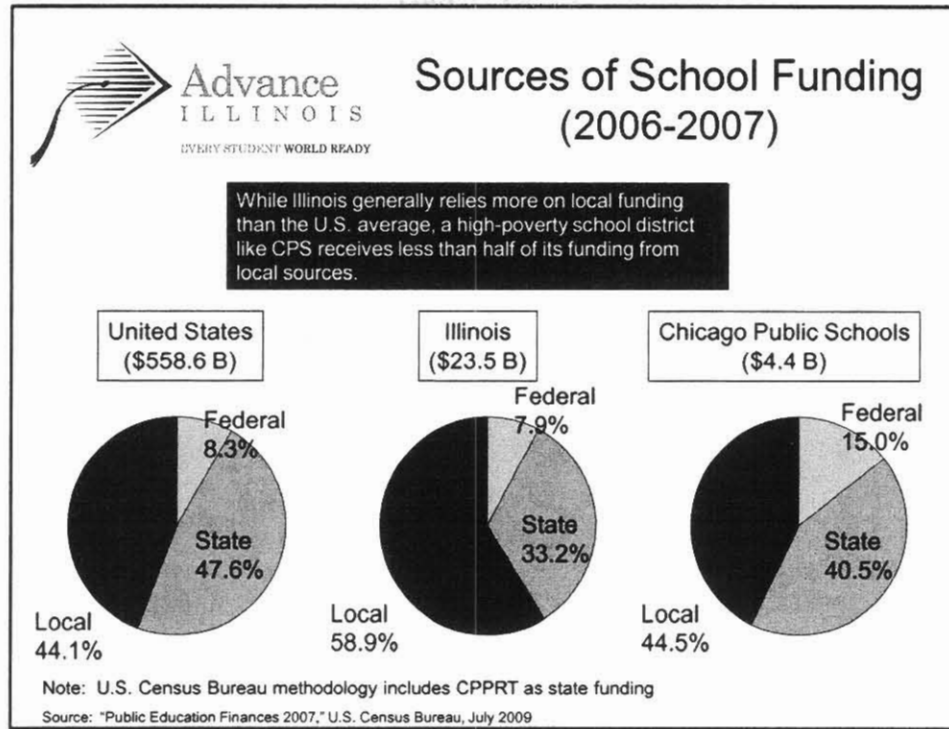
Agenda


- Current Context - State of Funding in Illinois
- Mission and History
- Methodology
- Issues to Consider




CURRENT CONTEXT








MISSION AND HISTORY





Mission

EFAB:

- Shall make recommendations ... to the General Assembly for the foundation level ... and for the supplemental general State aid grant level ... for districts with high concentrations of children from poverty.
- The recommended foundation level shall be determined based on a methodology which incorporates the basic education expenditures of low-spending schools exhibiting high academic performance.


		EFAB History and Recommendations
EFAB HISTORY		
1996-2000	<ul style="list-style-type: none"> •Ikenberry Commission calculates cost of adequate education in high-performing, efficient schools •Public Act 90-548 requires appointment of Educational Funding Advisory Board to identify and recommend foundation level in January of odd-numbered years •Foundation levels for FY 1999-2001 are statutorily defined 	
EFAB REPORT FINDINGS		
2001	<ul style="list-style-type: none"> •Recommend raise in State foundation level spending based on inflation adjustments •Recommend lowering from 20% to 15% the concentration of poverty level necessary to receive grant funds •Recommend change in attendance calculation •Recommend continuing GSA appropriation •Recommend sunset "hold harmless" provisions •Recommend appropriate funds for Early Childhood Block Grant 	

		EFAB History and Recommendations
EFAB REPORT FINDINGS		
2002	<ul style="list-style-type: none"> •Adopt Augenblick and Myers methodology •Recommend repeal of "hold harmless" provision of the law •Recommend continuing GSA appropriation •Recommend use of low-income count from Federal program •Provide flat grant per low-income student in districts with less than 15% •Recommend incentive-based school district reorganization •Recommend property tax and alternative sources of revenue be pursued only after implementing cost savings and efficiencies in the current state budget and reprioritizing state budget to provide additional funding for education •Recommend change in income tax from 3-5% •Recommend consolidation of categorical funding •Other recommendations, including increasing state share of funding of elementary and secondary education beyond 50% threshold 	



EFAB History and Recommendations

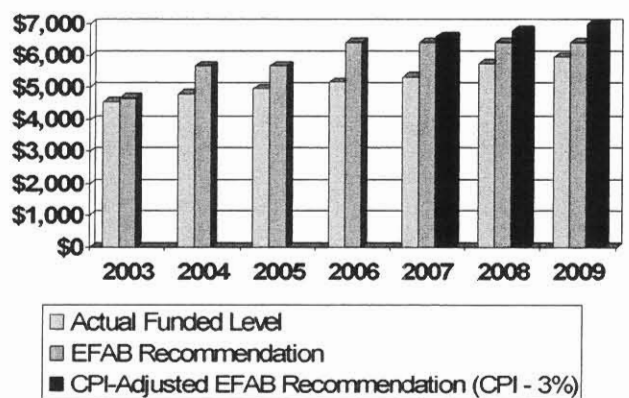
Year	EFAB REPORT FINDINGS
2003	<ul style="list-style-type: none"> •Recommended GSA "hold harmless" continue through FY 2003
2005	<ul style="list-style-type: none"> •Recommend methodology used by the Education Funding Advisory Board be adjusted using the Employment Cost Index •Recommend FY06 Supplemental General State Aid Poverty Grant be adjusted based on ECI (led per pupil range of \$367.07 - \$3,096.06) •Recommend continuing appropriation for GSA and Supplemental General State Aid should be reenacted with no sunset provision



Foundation Level Funding (2003-2009)


The State of IL has not fully funded the EFAB-recommended foundation level since 2003.

In 2009, the difference between the CPI-Adjusted EFAB Recommendation and the Actual Funded Level was \$1,040 per pupil. It would cost \$1.5 to make up the difference.




Year	Actual Funded Level	EFAB Recommendation	CPI-Adjusted EFAB Recommendation (CPI - 3%)
2003	~\$4,500	~\$4,500	~\$4,500
2004	~\$4,800	~\$5,500	~\$5,500
2005	~\$4,800	~\$5,500	~\$5,500
2006	~\$5,000	~\$6,000	~\$6,000
2007	~\$5,200	~\$6,500	~\$6,500
2008	~\$5,500	~\$6,800	~\$6,800
2009	~\$5,800	~\$7,000	~\$7,000

Note: The EFAB is the Education Funding Advisory Board, which is appointed to identify and recommend the foundation level to the General Assembly in January of odd numbered years. The foundation level is supposed to reflect the per pupil cost of providing a basic educational program in a high-performing, efficient school. The EFAB has not met since 2005.



METHODOLOGY



General State Aid Funding Considerations

Components of GSA Funding	Methodologies for Calculating
<ol style="list-style-type: none"> 1) Base Cost – Cost of providing an adequate education to typical students under typical circumstances 2) Excess Cost* – Additional costs incurred by schools as a result of pupil characteristics and economic circumstances (i.e. special ed., low-income, etc.) 3) Relief from property tax caps (PTELL) and “hold harmless” provisions 	<ol style="list-style-type: none"> 1) Successful Schools Approach (a.k.a. “Outcomes” or “Inferential” approach) 2) Input/Standards Based Approach (a.k.a. “Market Basket”, “Professional Judgment”, or “Expert Judgment” approach) 3) Statistical Cost Function Approach
<p>*Note: Excess Cost is intended to allow districts to cover additional costs, not create equity</p>	<p>*Note: Illinois statute requires a Successful Schools approach, but elements of all models impact Illinois’ funding</p>



Methodology #1 Successful Schools

Identifies districts performing at the desired level according to selected outcome criteria

Outcome Criteria typically include:

1. Performance on state-wide standardized tests
2. Graduation rates and/or dropout rates
3. Student attendance rates

Input criteria such as:

1. Course offerings outside proficiency areas (i.e. arts, foreign language)
2. Student/teacher ratios
3. Administrative expenditures

Other considerations include:

- Schools which are considered "outliers" are typically excluded
- Base Cost expenditures (per pupil) in the selected districts are then averaged to determine the funding level to be inserted into the state Foundation Formula

Other States Using this Methodology:

Mississippi, Maryland, Kansas, Louisiana, Colorado, Missouri, and New York



Methodology #2 Input/Standards Based

Summary

- Based on premise that necessary components of an adequate education can be identified and then costed out
- Components can be identified through "professional judgment" and/or on the basis of state educational standards
- Delineation of a market basket of inputs for the purpose of determining the cost of adequacy need not imply that each school district must adhere strictly to this list when making local education decisions

Other States Using this Methodology:

Professional Judgment: Oregon, South Carolina, Maryland, Kansas, Nebraska, Indiana, Colorado, North Dakota, Washington, Montana and New York
Evidence-based Judgment: Arkansas, Kentucky, and Ohio



Methodology #3 Statistical Cost Function

Summary

- Data on expenditures, inputs, outcomes, and the education environment from all districts are collected
 - This requires detailed data on school expenditures to associate cost to performance
- Statistical analysis is used to derive a cost equation that reflects the cost of adequacy in different districts
- Cost equation is based on the correlation between educational outcomes (usually student performance) and the other variables
 - Generates an equation which allows state funding to be calculated per district
- The model allows for the estimation of the marginal cost of specific district characteristics (i.e. poverty or region)

Note: Statistical Cost Function approach differs from the successful school district approach in that it attempts to determine how level of spending correlates to academic success and also districts' characteristics.



Illinois Process for Developing Foundation Level

Augenblick and Myers created procedures to select appropriate districts and to calculate the basic expenditure level -- providing policy makers with a framework to link pupil performance with per pupil funding

- A base cost figure for use in the Illinois school finance system can be generated by examining the basic expenditures of school districts that meet some set of pupil performance standards and some set of demographic characteristics
- Different methods for setting criteria for success and demographic requirements, at least for unit districts, generate similar results
- The tuition charge (used to determine per student expenditure for special education) appears to overstate basic expenditures



ISSUES TO CONSIDER



Issues to Consider

- Transparency and Measures
- Inflation Index
- Property Tax Cap Relief and "Hold Harmless" Provision
- Special Education



Transparency and Measures

Augenblick and Myers study was based on 12 districts, but they were not identified

- Were appropriate “successful” schools picked?
- Were appropriate “efficient” schools picked?
- Were appropriate expenditures included?



Inflation Index

- The Employment Cost Index (ECI)
- vs.
- The Consumer Price Index (CPI)

Notes:

- Illinois budget projections are based upon the average annual historic CPI (consumer price index) of 3.0%
- ISBE most recently used ECI in their FY09 Budget



Advance
ILLINOIS
EVERY STUDENT WORLD READY

Property Tax Cap Relief & Hold Harmless Provision

- Over the past 9 years, Poverty Grant and PTELL payments have grown at double digit rates, leaving less GSA funding for equalization
 - PTELL adjustment has grown from \$46 million in 2000 → \$789 million in 2009 ; Poverty Grants up to \$941 million in 2009 (Taxpayer Action Board, 2009)
- Only 62% or \$2.9 billion out of \$4.6 billion in total GSA spending is now going to equalization, down from roughly 90% (Taxpayer Action Board)



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EVERY STUDENT WORLD READY

Special Education

- Special Education is the fastest growing education expenditure in the state
 - Since FY96, spending has nearly tripled (ISBE)
 - Students receiving services have increased 30% since 1995 (ISBE)
- State has fallen behind in tracking whether special education appropriations are covering special education costs
- With the exception of Chicago, IL has 6 special education programs that are distributed to school districts as categorical mandates
- In 2007, a Task Force was convened to review special education spending



Sources

- National Access Network -
<http://www.schoolfunding.info/>
- Education Advisory Funding Board –
<http://www.isbe.state.il.us/efab/html/reports.htm>