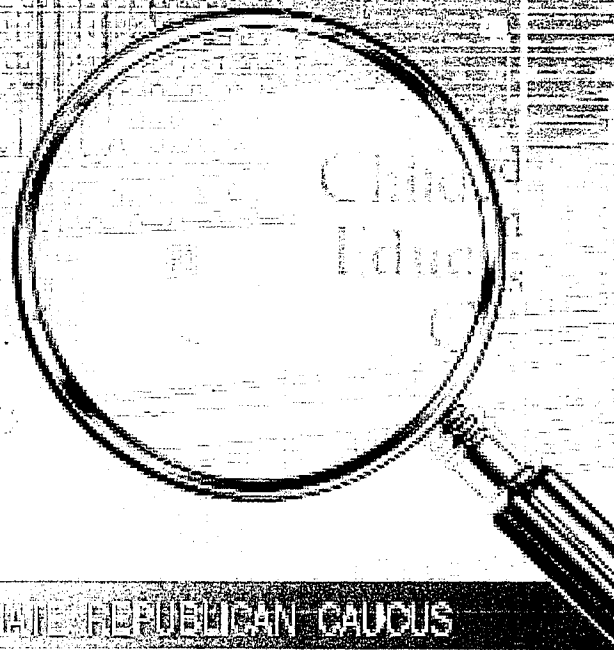


# School Funding in Illinois: An Examination

Special  
Education  
Grants

*Corporate Income  
Replacement Grant*



ILLINOIS SENATE REFORM CAUCUS

# About that 'Free Lunch'

Achieving fair, meaningful and constitutionally-sound pension reform remains one of the most difficult challenges facing our state. In the Illinois Senate, there is clearly a sincere desire by members of both political parties to reach a consensus that will protect and preserve essential state services, while also assuring the financial security of retired teachers and other public employees.

Given the tremendous challenge we face, there is no reason to make it more difficult by interjecting additional complicated issues into the pension reform debate.

One proposed "reform" measure—and the one most likely to derail any resolution—has sparked a misleading regional battle over state contributions to downstate and suburban retired teacher pension funds.

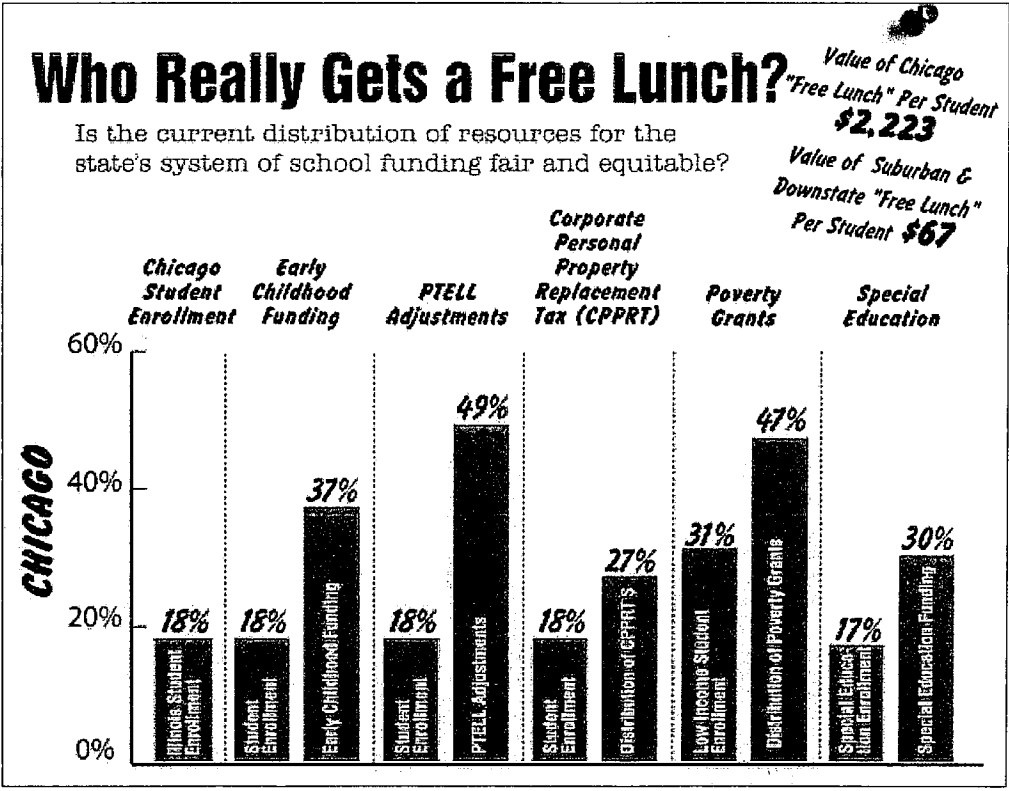
Some lawmakers propose shifting the costs for local school and university employee pensions from the state to their employers. They argue those employers set the salaries that determine the pensions. But they do not acknowledge that the Illinois General Assembly sets all the benefits—including retirement age, cost-of-living-adjustments and contribution levels—that have a significant impact on pension payouts and the growth in unfunded liabilities.

Some lawmakers, including House Speaker Michael Madigan, try to sell it as a matter of education fairness. The Speaker has termed the contributions a "free lunch." This rhetoric is misleading, divisive and derisive—hardly the kind of discourse designed to foster compromise and resolution.

## School Funding in Illinois – An Examination

Rather than respond in kind, Senate Republicans have examined the state's system of school funding to determine if the current distribution of resources is fair and equitable, or if it is instead skewed toward one region or even one school district.

The unavoidable conclusion is that, if there are free lunches being handed out to schools in Illinois, the portions are indeed inequitable. But not in the way portrayed by others.





In fact, if downstate and suburban school districts are receiving a “free lunch,” it is on the order of a “kid’s meal.” In contrast, though Chicago Public Schools enroll roughly 18% of Illinois’ public schoolchildren, the state has been “super sizing” their value meal.

Through a variety of special considerations and cases, the Chicago Public Schools actually receive nearly \$800 million in “free lunch money” that is not available to their counterparts in suburban and downstate Illinois.

The net result is a significant budget disparity that treats Illinois’ schoolchildren differently simply based on where they happen to live. A preschool child in a downstate school district will receive fewer education service dollars from the state than the child would in Chicago. A developmentally-disabled child living in a suburban community will receive less funding for his education from the state than would a similar child in Chicago.

Perhaps most unfair of all, an impoverished child in Edwardsville must be educated for barely 15% of the state support available to a needy child in Chicago living under comparable economic circumstances.

### **Why This Examination is Important**

It is not the intent of the Senate Republican Caucus to ignite a regional war over school funding fairness. The goal is not to pull the financial rug out from under the Chicago Public Schools—we recognize that all school districts in Illinois are facing difficult financial challenges.

We simply want to provide a balanced picture of where funding equity stands today.

An honest, objective review of school funding policies in our state is long overdue. Illinois continues to distribute school funds using

outdated formulas, with at least one dating back to the 1970s. The state should undertake a thorough examination of how we divide up the dollars that go to our schools. We would welcome such a discussion.

However, the urgency to fix the state’s retirement system funding is too great to risk having those reforms get bogged down in a protracted debate over school funding fairness – even if the discussion is long overdue.

### **Six Areas of Funding**

State support of school funding in Illinois falls under six general categories:

- Foundation Level Grants;
- PTELL (Property Tax Extension Limitation Law) Adjustments;
- Corporate Personal Property Tax Replacement Grants;
- Poverty Grants;
- Special Education Grants; and
- Early Childhood Education Grants.

A brief look at each of these categories reveals historical trends and formula anomalies that steer extra dollars to the Chicago Public School system and away from downstate and suburban schools.

### **Foundation Level Grants**

Arguably, the Foundation Level Grant is the most equitable and fair formula distribution in the state. Its purpose is to assure that all schools have access to a basic “foundation” level of support deemed necessary to educate a child in Illinois.

It is a resource “equalizer,” which takes into account the property wealth of school districts and attempts to even out or equalize the funding



available to schools. The goal is to ensure students who happen to live in “property-poor” districts receive a base level of support.

Until the turn of this century, the Foundation Level Grant was the primary component of state education support. Though the grant was often the source of controversy, it was accepted along the same lines as Winston Churchill’s famous pronouncement about democracy—education funding experts and legislators all seemed willing to accept that the Foundation Grant was the *worst* formula for education funding, **except** for every other formula that had ever been tried.

For decades, Chicago was a property-poor school district and its political leaders were strongly protective of the formula. However, beginning in the 1990s, Chicago’s property values began to climb. Suddenly, the base formula that had benefitted the City for many years was no longer as attractive.

It may not be coincidental that since 2000, the Foundation Level has been consistently reduced as a component of overall General State Aid. In contrast, two other General State Aid components that could be more targeted to the Chicago Public Schools have risen dramatically.

From Fiscal Year 2000 to Fiscal Year 2012, total funding for Foundation Level Grants has actually dropped by 6%, while Poverty Grant funding has soared by 432% and PTELL Adjustments have grown by an astonishing 1,267%.

Contrary to popular belief, in FY 12 only 53% of General State Aid funding to local schools was provided through Foundation Level Grants. Poverty Grants provided 34% of the funding and 13% came to the districts in the form of PTELL Adjustments. In contrast, in FY 00 the Foundation Level provided 88% of the funding made available to schools through the General State Aid formula.

The very formula that is designed to ensure school children in Illinois receive a quality education no matter where they live is being edged out in favor of convoluted policies and formulas. There is less money available today for Foundation Level Grants than there was twelve years ago.

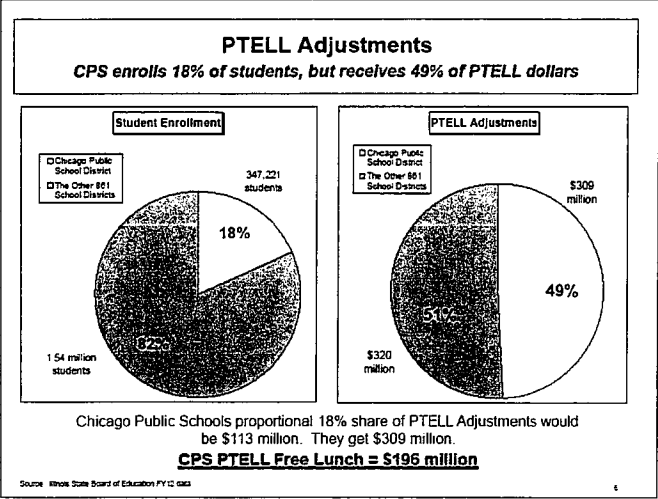
Value of Free Lunch: No Free Lunch can be assigned here, as the nature of Foundation Level Grants is to provide at least a minimum level of funding per student in all districts.

**PTELL Adjustments**

With the advent of the Property Tax Cap in the 1990s, a new component was added to the state aid formula: a specialized formula adjustment intended to offset the impact on school districts whose revenues from local property taxes were restricted.

The theory was that school districts should not be punished simply because the real value of property in the district was climbing faster than allowed under the tax caps.

The Property Tax Extension Limitation Law (PTELL) Adjustments were originally intended as very modest awards to offer a small offset to school districts unable to access the growing

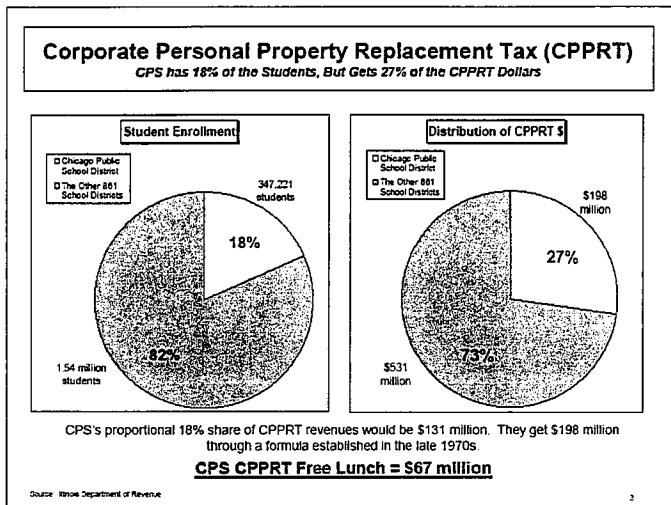


value of property within a district.

However, this formerly modest program has exploded since 2000. From FY 2000 to FY 2012, PTELL Adjustments have grown by 1,267%. PTELL Adjustments have particularly benefited Chicago Public Schools, which now receives 49% of all PTELL funding in the state.

Chicago enrolls 18% of students, but receives 49% of PTELL dollars.

**Value of PTELL Free Lunch: \$196 Million.**



**Corporate Personal Property Replacement Grants**

The Chicago Public Schools have also received a windfall from the state's Corporate Personal Property Replacement Tax.

When the 1970 Illinois Constitution ordered the end to personal property taxes, the General Assembly established a business income tax to replace the revenues. The distribution formula of this Corporate Personal Property Replacement Tax revenue has remained unchanged for the 30-plus year history of the tax.

Chicago Public Schools, which account for 18% of the student population in the state, receive 27% of the total revenues from this special income tax.

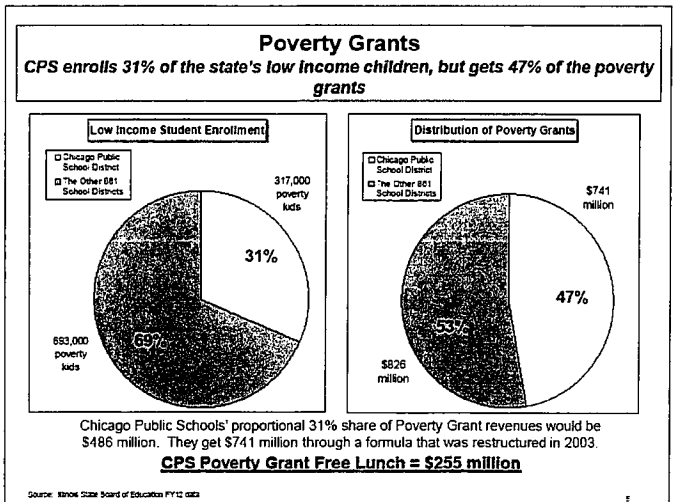
**Value of Corporate Personal Property Replacement Free Lunch: \$67 Million.**

**Poverty Grants**

The state's expenditures for special Poverty Grants have also exploded in the past decade. In FY 2000, Poverty Grants constituted 10% of the state's General State Aid formula. Today they represent more than one out of every three dollars in the formula. This 431% increase in Poverty Grants seems modest only when compared to the 1,267% PTELL Adjustment increase.

In real dollars the Poverty Grants illustrate jaw-dropping increases, dramatically increasing from \$295 million to almost \$1.6 billion over the last twelve years.

The dramatic rise has not come without "adjustment." Prior to FY 2004, Poverty Grants were awarded based on Census data of low income students. However the Illinois Department of Human Services began



determining the number of low income students using Medicaid and other programs in FY 2004. In that time, Average Daily Attendance (ADA) has remained stable, yet students identified as poverty students have more than doubled. In FY 2012, Chicago Public Schools received nearly 50 percent of these dollars.

If Poverty Grants were distributed equitably, it would be hard to argue that awarding more money to educate impoverished children is not fair.

But, as with almost everything about school funding in Illinois, the distribution is far from equitable. Instead, Illinois uses a curvilinear formula that assigns a Poverty Grant of \$2,513 to an impoverished student in Chicago, while an impoverished student in Mt. Zion receives \$390.

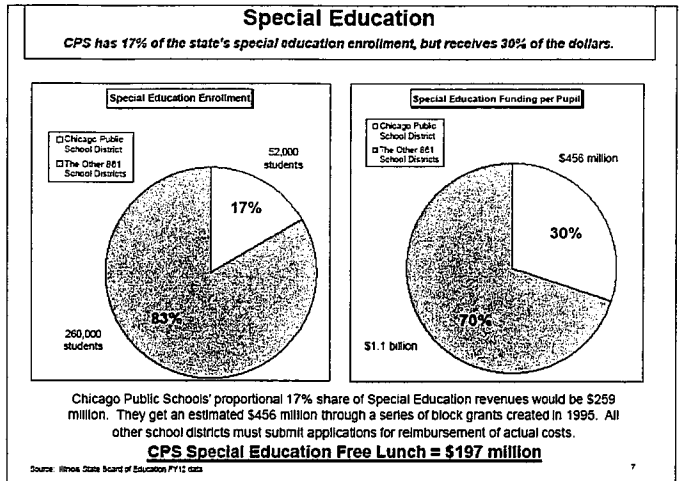
One cannot reasonably argue that an impoverished student in one school district is worth more than \$2,500 to that school district, while an impoverished student in another school district is worth \$390. Yet the state Poverty Grant formula dramatically rewards high poverty concentration school districts, like the Chicago school district, for having a high percentage of impoverished students.

At some level, this is logical and reasonable. No one would argue that a school district with 15% of its students living in poverty faces the same challenges as a school district with 90% of its students living in poverty.

By the same token, it is hard to justify the gross disparities in Illinois' Poverty Grant program. Perhaps more than any other component of state education funding, Illinois' system of awarding Poverty Grants to schools cries out for review.

The Chicago Public School District enrolls 31% of the poverty students in Illinois, but receives 47% of Poverty Grant funding.

**Value of Poverty Grant Free Lunch: \$255 Million**



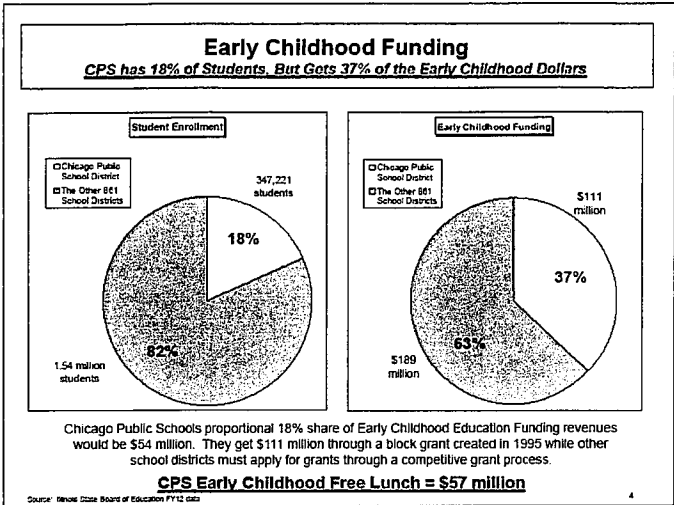
**Special Education Grants**

Under a formula devised in 1995, Chicago Public Schools receives a guaranteed block grant of 30% of special education funding. At this time, 30% of total funding is directed to a school system that is responsible for just 17% of the special-needs students in Illinois.

The Chicago Public Schools are guaranteed a fixed percentage of the state's special education budget, regardless of the number of students they serve. Downstate and suburban school districts must compete for the remaining dollars by submitting vouchers for reimbursement of actual costs incurred.

Chicago Public Schools enrolls 17% of the special education students in Illinois, yet receives 30% of the special education funding.

**Value of Special Education Free Lunch: \$197 Million**



**Early Childhood Education Grants**

The final major component of state education funding is Early Childhood Education. Like Special Education Grants, the Early Childhood Education Grants are awarded under a fixed block grant created in 1995.

Under the block grant, Chicago is guaranteed 37% of the state’s Early Childhood Grant funding. This is a substantial percentage of the Early Childhood Grant revenue that is being directed to a school district that has only 18% of the student population in Illinois.

Once again, a child in Chicago has access to state resources far beyond what a child in similar conditions would have in a downstate or suburban school.

Chicago Public Schools enroll 18% of total students, but receive 37% of Early Childhood Education dollars.

**Value of Early Childhood Education Funding Free Lunch: \$57 Million**

**Summary**

The purpose of this report is not to launch a “raid” on state funding for the Chicago Public Schools. In these difficult times, no school district can sustain major changes in funding formulas.

Instead, we hope to bring some balance to the discussion of school funding in Illinois, and to put an end to gratuitous and deceptive potshots about “free lunches.”

If the Chicago Public School system bears a slightly higher burden for teacher pension payments, that is offset many times over by other components of school funding.

During the course of our examination, we have uncovered serious issues that undermine fair access to education for all Illinois students. Indeed, some of the discrepancies are particularly troubling because they impact our most at-risk students.

Illinois must have a candid, thorough and responsible debate over school funding formulas. But today, we must confront the crisis at hand.

**Who Really Gets a Free Lunch?**

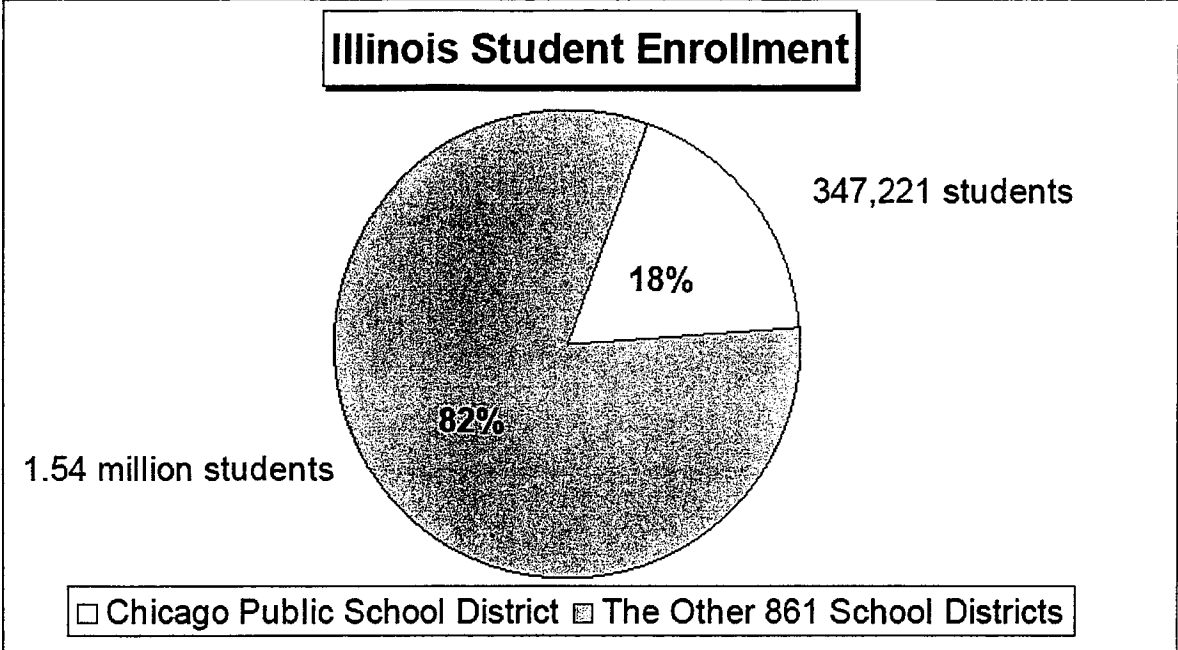
		% of Enrollment
Chicago Enrollment	347,221	18%
Downstate Enrollment	1,542,208	82%

		% of Free Lunch
Chicago Free Lunch	\$772 m	88%
Downstate Free Lunch	\$104 m	12%

Value of Chicago Free Lunch Per Student	<b>\$2,223</b>
Value of Downstate Free Lunch Per Student	<b>\$67</b>

Source: Illinois State Board of Education Data

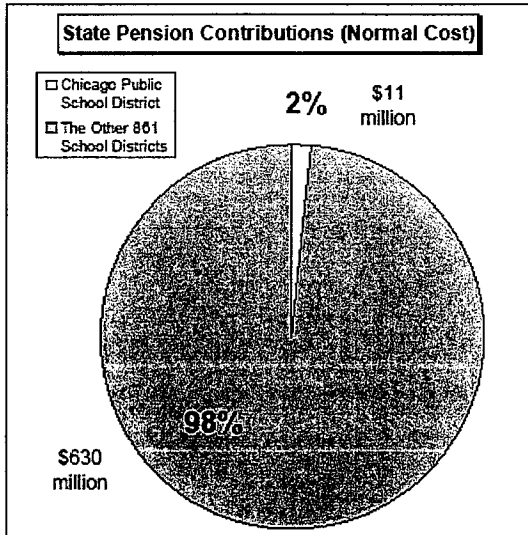
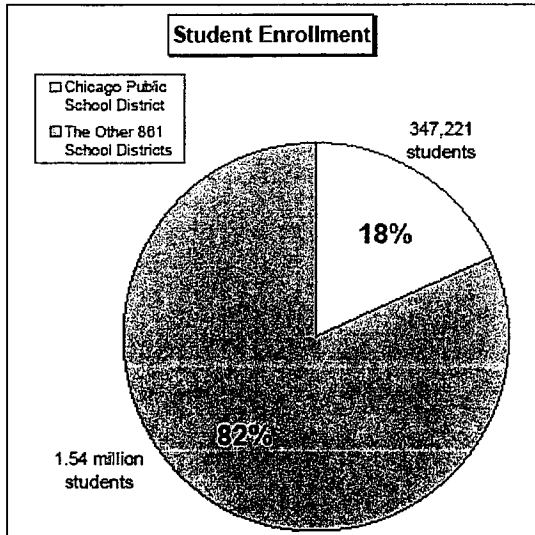
18% of Illinois' schoolchildren are enrolled in Chicago Public Schools (CPS)



Source: Illinois State Board of Education FY12 data (Average Daily Attendance)

1

**Normal Teachers' Pension Costs**  
*CPS has 18% of the Students, but gets just 2% of the Pension Contributions*



CPS's proportional 18% share of normal pension contributions would be \$115 million. They receive just \$11 million.

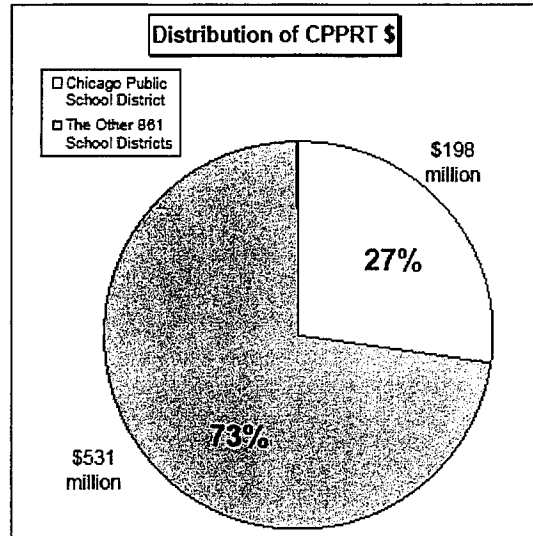
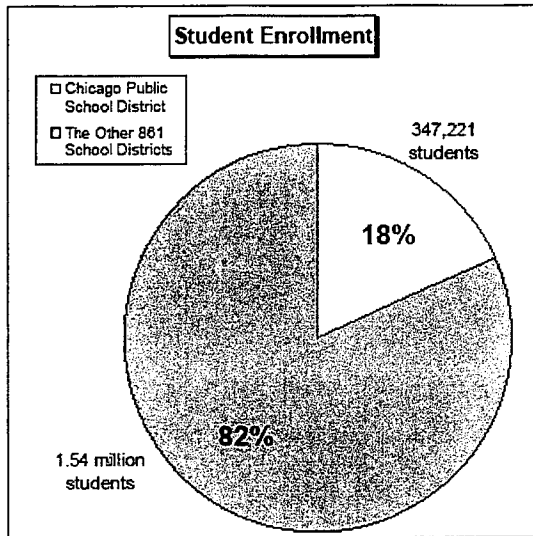
**Downstate & Suburban Schools Pension Free Lunch = \$104 million**

Source Illinois Comptroller & Teachers' Retirement System

2

## Corporate Personal Property Replacement Tax (CPPRT)

*CPS has 18% of the Students, But Gets 27% of the CPPRT Dollars*



CPS's proportional 18% share of CPPRT revenues would be \$131 million. They get \$198 million through a formula established in the late 1970s.

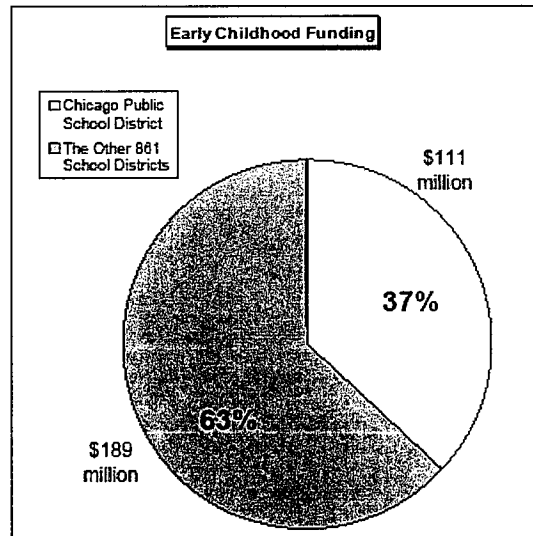
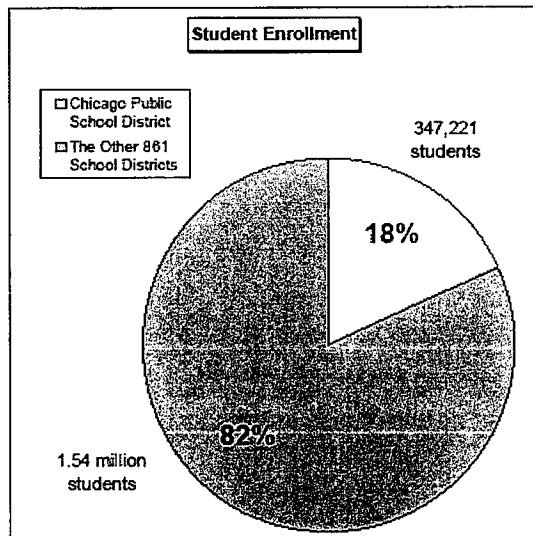
**CPS CPPRT Free Lunch = \$67 million**

Source: Illinois Department of Revenue

3

## Early Childhood Funding

*CPS has 18% of Students. But Gets 37% of the Early Childhood Dollars*



Chicago Public Schools proportional 18% share of Early Childhood Education Funding revenues would be \$54 million. They get \$111 million through a block grant created in 1995 while other school districts must apply for grants through a competitive grant process.

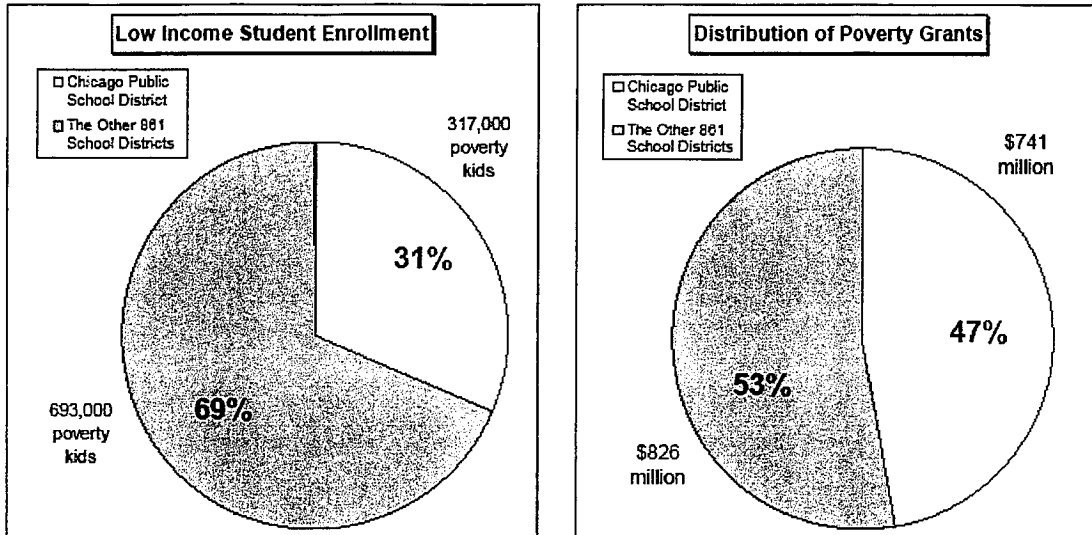
**CPS Early Childhood Free Lunch = \$57 million**

Source: Illinois State Board of Education FY12 data

4

## Poverty Grants

**CPS enrolls 31% of the state's low income children, but gets 47% of the poverty grants**



Chicago Public Schools' proportional 31% share of Poverty Grant revenues would be \$486 million. They get \$741 million through a formula that was restructured in 2003.

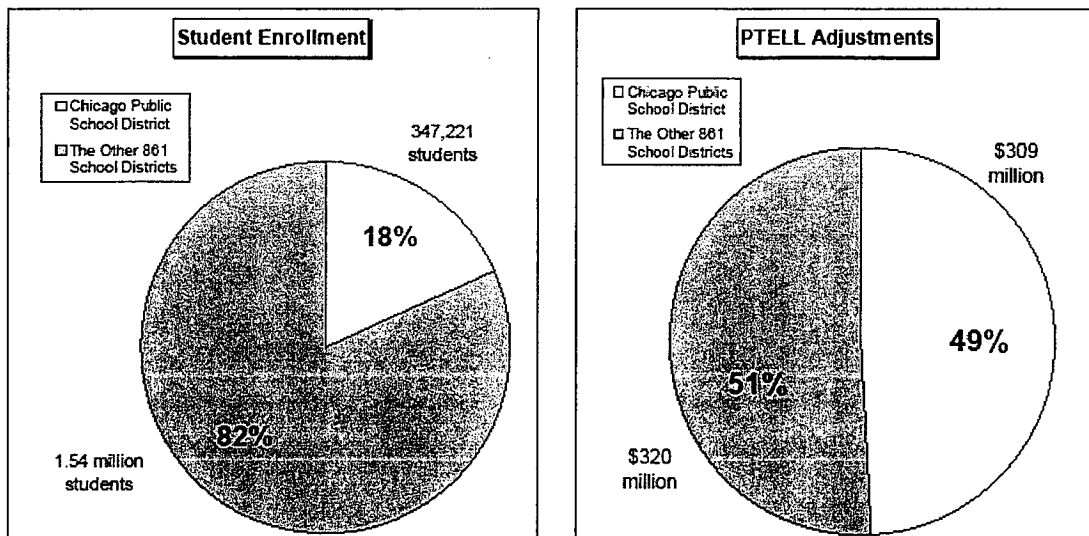
**CPS Poverty Grant Free Lunch = \$255 million**

Source: Illinois State Board of Education FY12 data

5

## PTELL Adjustments

**CPS enrolls 18% of students, but receives 49% of PTELL dollars**



Chicago Public Schools proportional 18% share of PTELL Adjustments would be \$113 million. They get \$309 million.

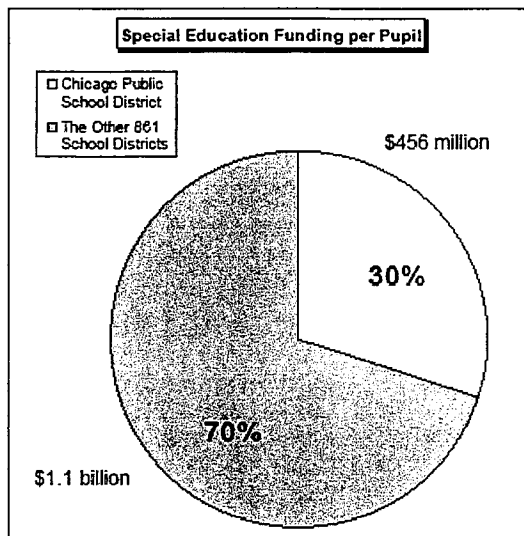
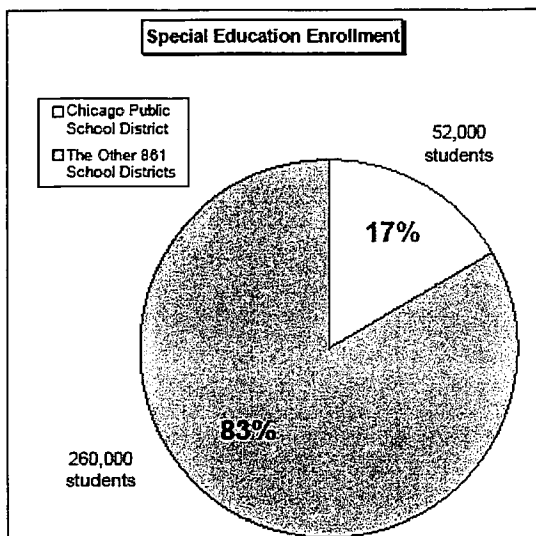
**CPS PTELL Free Lunch = \$196 million**

Source: Illinois State Board of Education FY12 data

6

## Special Education

**CPS has 17% of the state's special education enrollment, but receives 30% of the dollars.**



Chicago Public Schools' proportional 17% share of Special Education revenues would be \$259 million. They get an estimated \$456 million through a series of block grants created in 1995. All other school districts must submit applications for reimbursement of actual costs.

**CPS Special Education Free Lunch = \$197 million**

Source: Illinois State Board of Education FY12 data

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## Troubling General State Aid Trends

	FY00	FY00 % of Formula	FY12	FY12 % of Formula	\$ Growth	% Growth
Foundation Level Grants	\$2.61 b	88%	\$2.45 b	53%	(\$160) m	(6)%
Poverty Grants*	\$295 m	10%	\$1.57 b	34%	\$1.28 b	432%
PTELL Grants*	\$46 m	2%	\$629 m	13%	\$583 m	1267%
<b>Total General State Aid</b>	<b>\$2.95 b</b>		<b>\$4.65 b</b>		<b>\$1.7 b</b>	<b>57%</b>

**Important Note:** Despite the fact that general state aid funding has increased by \$1.7 billion, or 57% since FY00, there is less money available for foundation level grants today than there was 12 years ago.

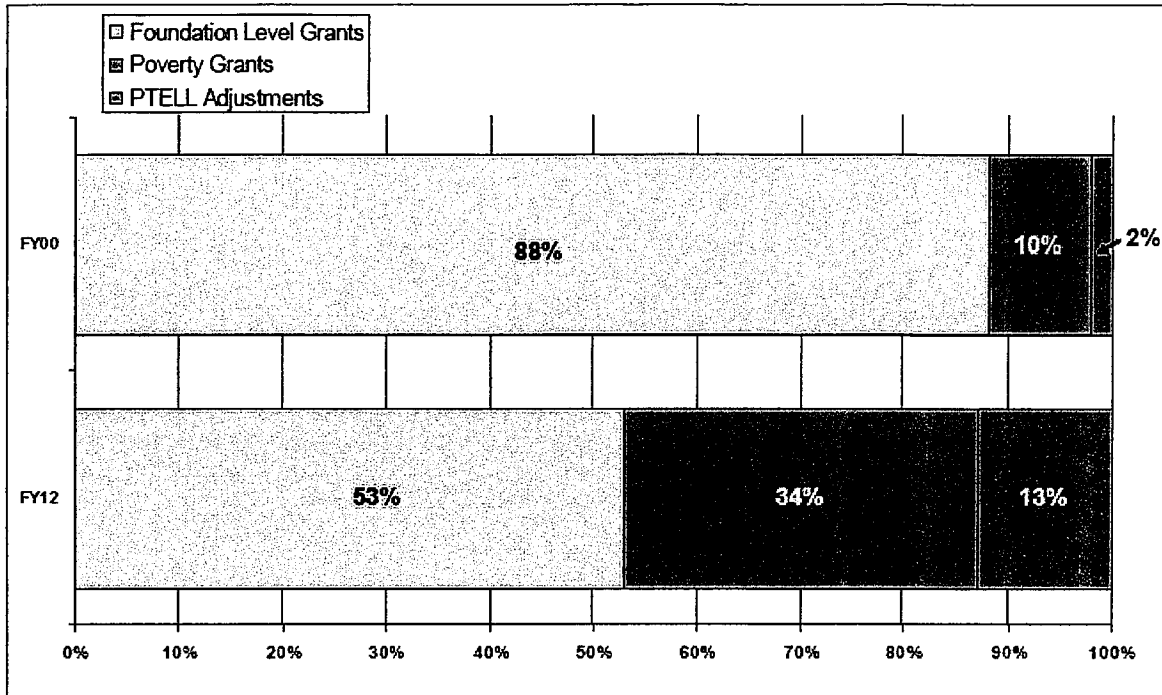
\* Chicago Public Schools, which represents 18% of student enrollment, receive approximately 50% of the funds allocated for Poverty Grants & PTELL Adjustments

Source: Illinois State Board of Education FY00 and FY12 data

8

## General State Aid Formula by Component

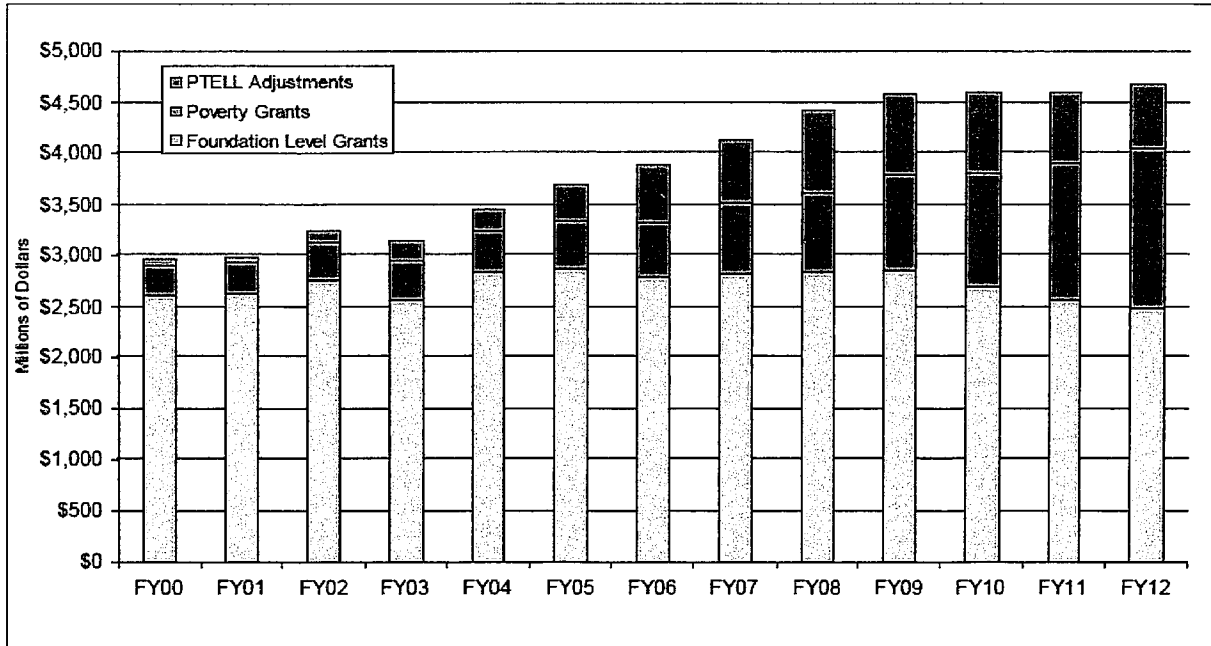
In FY00 foundation level grants represented 88% of general state aid. Today they represent 53%.



Source: Illinois State Board of Education FY00 and FY12 data

9

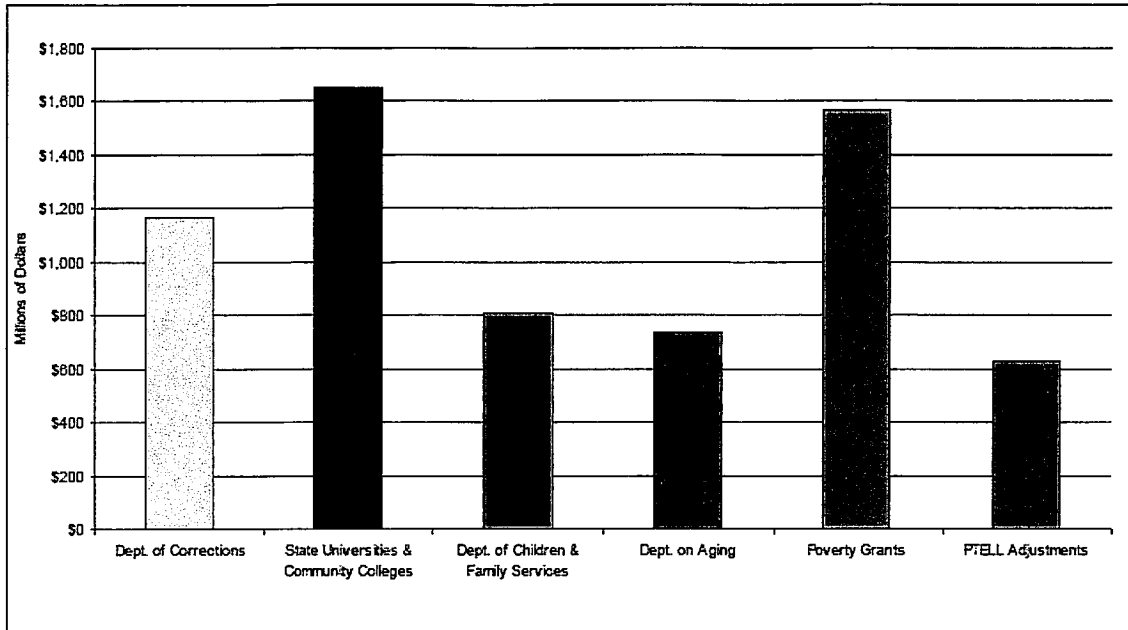
## General State Aid Funding by Component



Source: Illinois State Board of Education data

10

## PTELL Adjustment & Poverty Grant Funding Compared to Major State Agency Funding



Source: Illinois State Board of Education data & FY12 Commission on Government Forecasting & Accountability Budget Summary

11

## 10 School Districts, representing 23% of enrollment, receive 57% of Total Dollars allocated to Poverty Grant & PTELL Adjustment

### Schools in the Top 25 for Poverty Grants & PTELL Adjustments

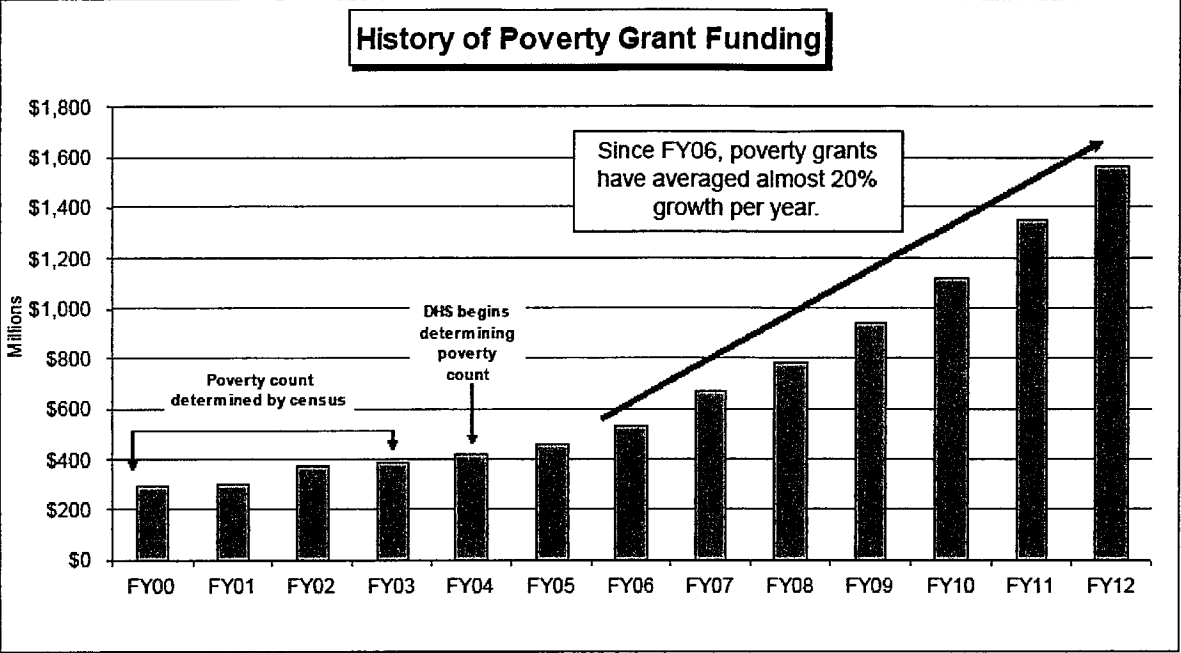
District Name	County	FY 13 Benefit from PTELL Adjustment	FY 13 Poverty Grant Claim	Total	ADA Enrollment
City Of Chicago School Dist 299	Cook	\$283,552,379	\$796,081,105	\$1,079,633,484	347,222
Aurora East Unit School Dist 131	Kane	\$5,600,872	\$39,403,232	\$44,004,104	12,320
Cicero School District 89	Cook	\$11,089,247	\$37,190,561	\$48,279,809	11,842
Joliet School Dist 86	Will	\$3,812,388	\$19,554,773	\$23,367,161	10,284
Thornton Twp H S Dist 205	Cook	\$4,482,482	\$16,285,754	\$20,768,236	5,367
J S Morton H S District 201	Cook	\$10,618,988	\$16,221,385	\$26,840,373	7,224
Maywood-Melrose Park-Broadview-99	Cook	\$7,019,933	\$14,193,925	\$21,213,858	4,865
Valley View CUSD #365U	Will	\$4,018,765	\$8,834,508	\$12,853,272	15,955
Aurora West Unit School Dist 129	Kane	\$5,974,498	\$8,427,807	\$14,402,305	11,492
Dolton School District 148	Cook	\$873,353	\$7,961,711	\$8,835,064	3,037
<b>Totals</b>		<b>\$337,021,881</b>	<b>\$963,134,741</b>	<b>\$1,300,156,622</b>	<b>429,608</b>

<b>10 Schools Share Of Total Dollars</b>	<b>67%</b>	<b>54%</b>	<b>57%</b>	<b>23%</b>
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Source: Illinois State Board of Education FY13 data

12

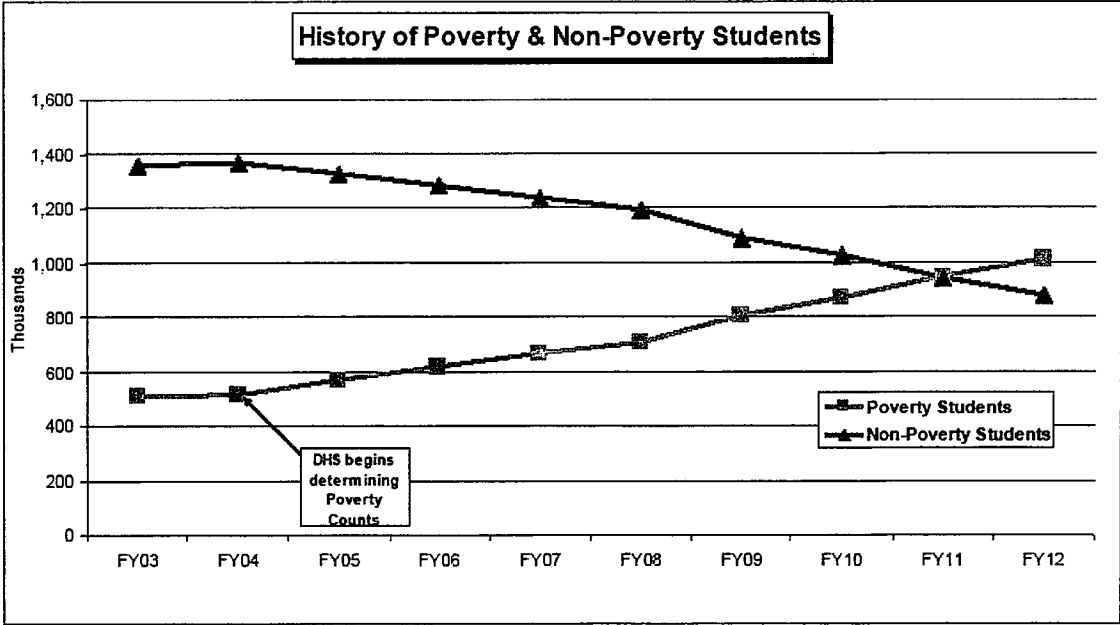
Poverty Grants are driven by formula based on the number of poverty kids per school district as determined by the Illinois Dept. of Human Services. Chicago Public Schools receives almost 50% of these dollars.



Source: Illinois State Board of Education data

13

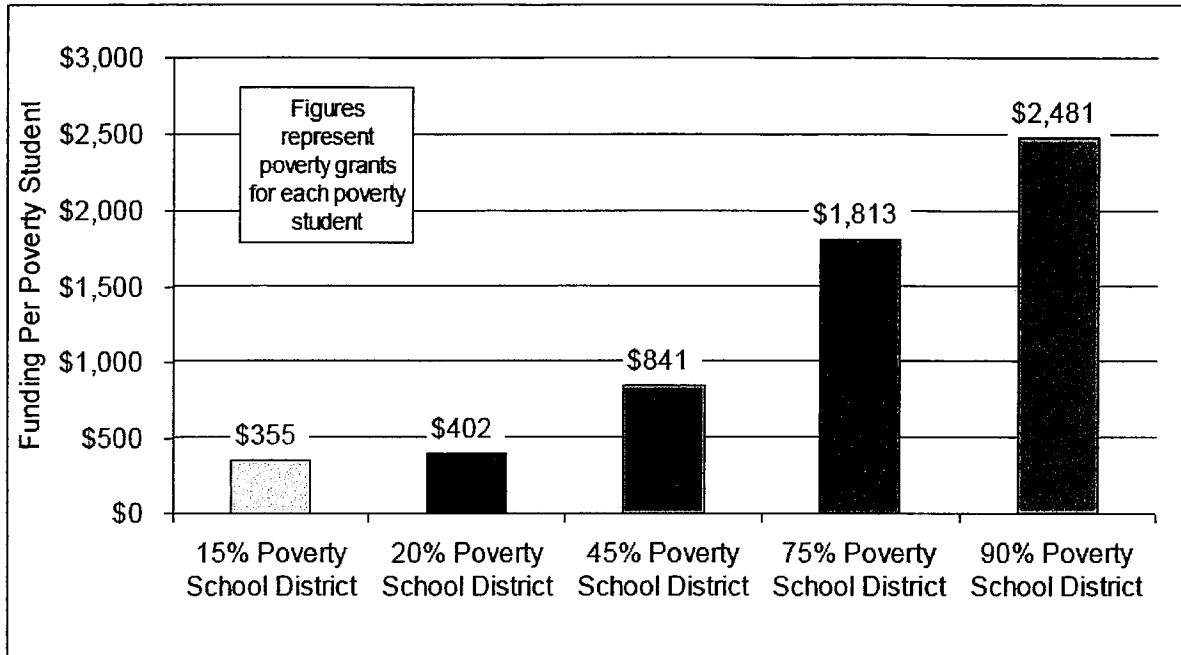
Students identified as poverty students have more than doubled in the last decade. Illinois student enrollment (ADA) has remained stable at 1.9 million over this time period. Currently, DHS reports, there are more students in poverty, than not.



Source: Illinois State Board of Education data

14

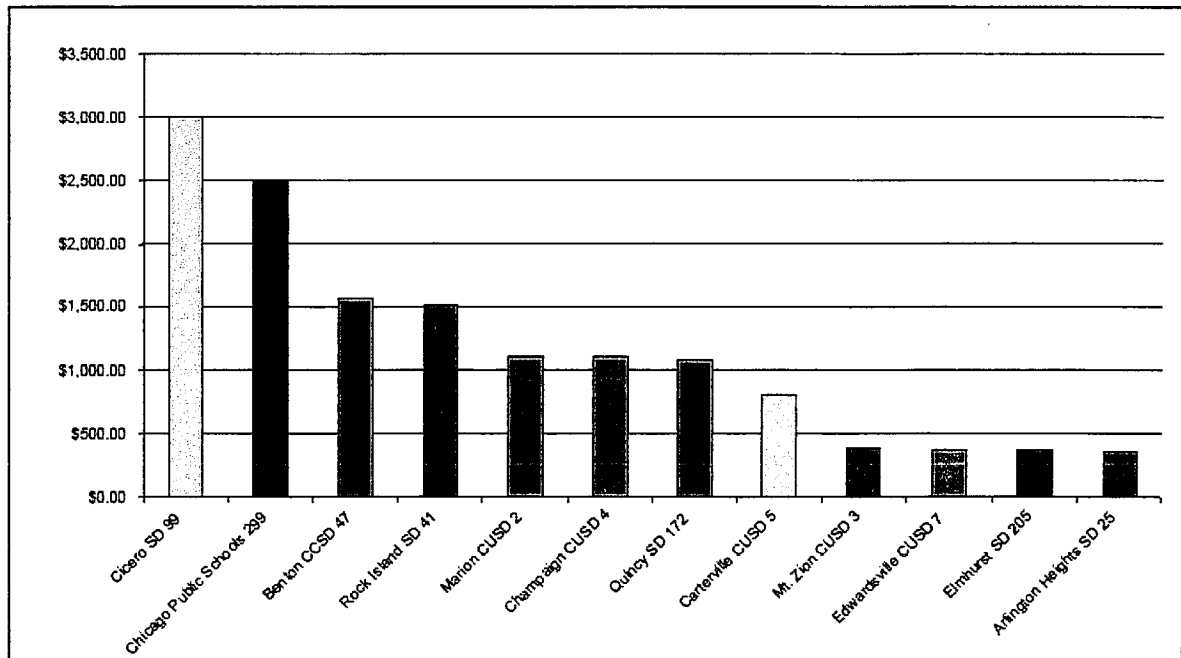
## Per Student Poverty Grants at Various Levels of Poverty Concentration



Source: Illinois State Board of Education data

15

## Estimated State Poverty Grants Per Poverty Student for Various Illinois School Districts



Source: Illinois State Board of Education FY13 data

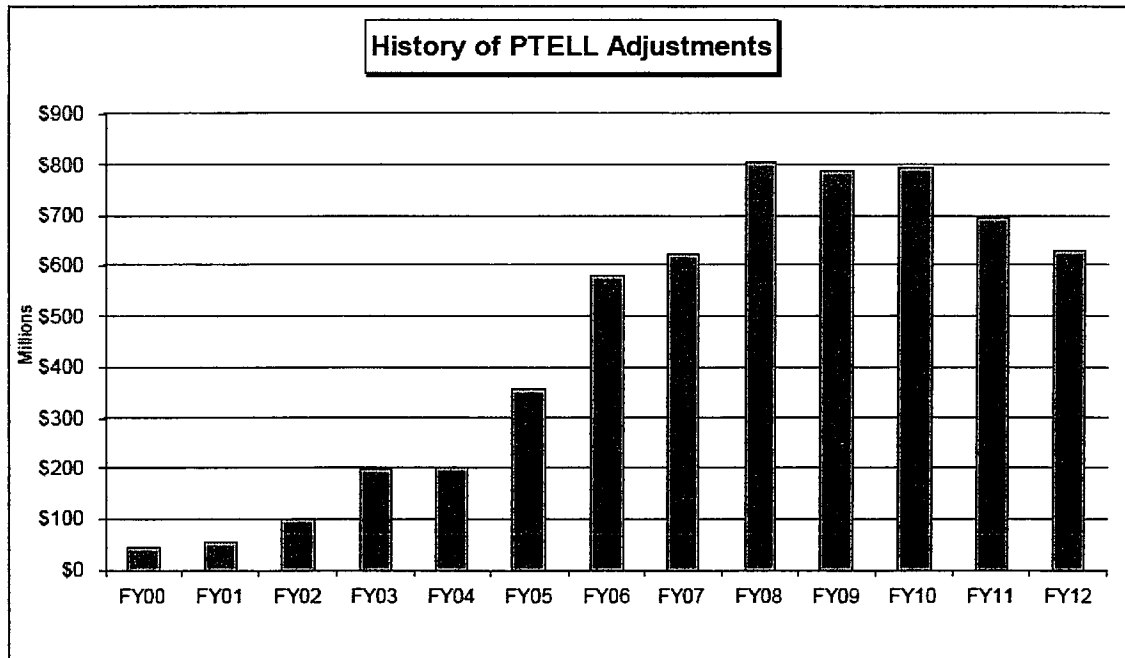
16

**25 School Districts get 69% of FY13 Poverty Grants.  
These schools represent 30% of total ADA enrollment in Illinois**

District Name	County	FY 13 Poverty Grant Claim
1 City Of Chicago School Dist 200	Cook	\$708,081,105
2 Rockford School Dist 205	Winnebago	\$48,793,321
3 Aurora East Unit School Dist 131	Kane	\$38,403,232
4 Cicero School District 99	Cook	\$37,190,581
5 Waukegan C U School Dist 60	Lake	\$34,312,372
6 School District 46	Kane	\$24,867,318
7 Peoria School District 150	Peoria	\$23,820,478
8 East St Louis School Dist 189	St Clair	\$21,195,278
9 Springfield School District 188	Sangamon	\$19,926,895
10 Joliet SD 86	Will	\$19,554,773
11 Decatur SD 81	Macon	\$18,654,349
12 Thornton Twp H S Dist 205	Cook	\$18,265,754
13 J S Morton H S District 201	Cook	\$16,221,385

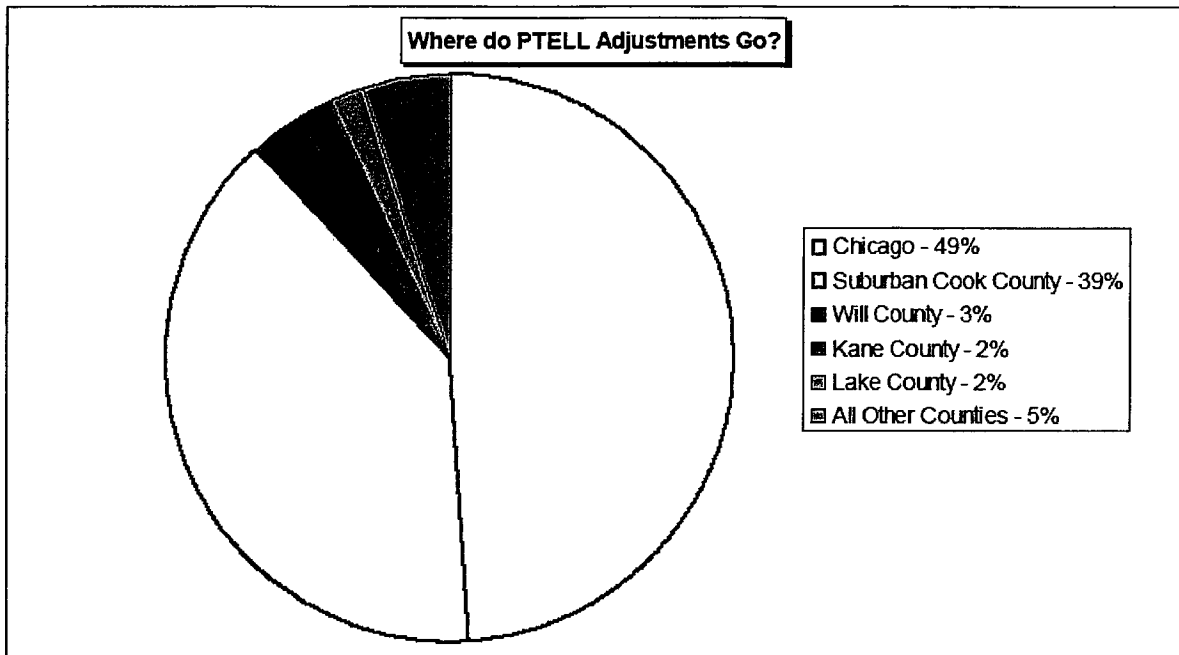
District Name	County	FY 13 Poverty Grant Claim
14 Maywood-MeRose Park-Broadview-89	Cook	\$14,193,925
15 Cahokia Comm Unit SD 187	St Clair	\$11,842,259
16 Kankakee School Dist 111	Kankakee	\$11,234,422
17 Round Lake Area SD 116	Lake	\$10,994,681
18 Danville C C School Dist 118	Vermilion	\$10,018,569
19 Chicago Heights SD 170	Cook	\$9,769,220
20 Valley View CUSD #365U	Will	\$8,834,508
21 Proviso Twp H S Dist 208	Cook	\$8,773,553
22 Aurora West Unit School Dist 129	Kane	\$8,427,807
23 Dolton School District 148	Cook	\$7,961,711
24 North Chicago SD 187	Lake	\$7,548,388
25 Harvey School District 152	Cook	\$7,199,165

**Funding for PTELL adjustments has exploded over the last decade.  
Only about 1/3 of all school districts receive a PTELL adjustment.**



Source: Illinois State Board of Education data

## 88% of PTELL Adjustments Benefit Cook County Schools



Source: Illinois State Board of Education data

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## 25 School Districts get 81% of FY13 PTELL Adjustments. These Schools Represent 25% Of Total ADA Enrollment In Illinois

District Name	County	FY13 PTELL Adjustment
1 City Of Chicago School Dist 299	Cook	\$283,552,379
2 Cicero School District 99	Cook	\$11,088,247
3 J S Morton H S District 201	Cook	\$10,618,988
4 Bremen Comm H S District 228	Cook	\$6,705,522
5 Oak Park Elem School Dist 97	Cook	\$7,070,571
6 Maywood-Melrose Park-Broadview-89	Cook	\$7,019,833
7 Elmwood Park C U SD 401	Cook	\$6,436,388
8 Berwyn South School District 100	Cook	\$6,340,771
9 Aurora West Unit School Dist 129	Kane	\$5,974,498
10 Aurora East Unit School Dist 131	Kane	\$5,600,872
11 Indian Springs School Dist 109	Cook	\$5,391,866
12 Thornton Twp H S Dist 205	Cook	\$4,462,462
13 Lincoln Way Comm H S Dist 210	Will	\$4,381,482

District Name	County	FY13 PTELL Adjustment
14 Berwyn North School Dist 88	Cook	\$4,375,259
15 Prairie-Hills Elem SD 144	Cook	\$4,353,716
16 Valley View CUSD #385U	Will	\$4,018,765
17 Joliet School Dist 86	Will	\$3,812,388
18 Bellwood School Dist 88	Cook	\$3,361,262
19 Rich Twp H S District 227	Cook	\$3,334,371
20 Berkeley School Dist 87	Cook	\$3,203,609
21 Dolton School District 149	Cook	\$3,185,753
22 Flossmoor School District 161	Cook	\$3,075,739
23 Homewood School District 153	Cook	\$2,968,963
24 Mclothian School Dist 143	Cook	\$2,845,781
25 Thornton Fractional SD 215	Cook	\$2,821,079

Source: Illinois State Board of Education FY13 data

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# Free Lunch Receipt

Downstate & Suburban Free Lunch	
Pension Payment	\$104 m

CPS Free Lunch	
CPPRT	\$67 m
Early Childhood	\$57 m
Poverty	\$255 m
PTELL	\$196 m
Special Education	\$197 m
<b>Total CPS Free Lunch</b>	<b>\$772 m</b>

Source: Illinois State Board of Education Data

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## Who Really Gets a Free Lunch?

		% of Enrollment
Chicago Enrollment	347,221	18%
Downstate Enrollment	1,542,208	82%

		% of Free Lunch
Chicago Free Lunch	\$772 m	88%
Downstate Free Lunch	\$104 m	12%

<b>Value of Chicago Free Lunch Per Student</b>	<b>\$2,223</b>
<b>Value of Downstate Free Lunch Per Student</b>	<b>\$67</b>

Source: Illinois State Board of Education Data

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