Overview of the Status of School Finance in Illinois

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SEPTEMBER 2013
Purpose of APA’s Overview

- Examine the formula-driven components of state support to school districts
- Determine the relationships between state aid and
  - School district need
  - School district wealth
- Examine the equity of the system for students and taxpayers and how equity has changed over time
The Structure of the State Aid System

- Two thirds of all state aid (including federal support allocated by the Illinois State Board of Education [ISBE]), General State Aid (GSA) is allocated through two formulas.
- The Formula Grant is a foundation program that “equalizes” for district wealth. The Formula Grant adjusts for PTELL.
- The Poverty Grant provides funding based on the concentration of students from low income families (using a curvilinear concentration factor) that is not wealth equalized.
Percent Change in Statewide Aggregate Funding Amount for Formula, Poverty and PTELL, 2002-2012

- PTELL: 519%
- Poverty: 309%
- Formula: -13%
Total Poverty Grant Amount, 2002-2012

- 2002: $200,000,000
- 2007: $600,000,000
- 2012: $1,800,000,000
In 2012 there were 859 regular school districts for which we could obtain all the information we needed for analysis.

- 375 elementary districts (44%) with 26% of all students
- 98 high school districts (11%) with 12% of all students
- 386 unit districts, including Chicago (45%), with 62% of all students.
- Chicago itself enrolled about 20 percent of all students.
- Our analysis focused on districts so our averages are different from student weighted averages (accounting averages).
School District Needs

• We wanted to know what the needs of districts were.
• We weighted students based on the cost of serving them (using weights based on our work in other states):
  - .40 for students eligible for free and reduced-price lunch (we used F/R so we could compare Illinois to other states)
  - .75 for LEP students
  - 1.10 for special education.
• In 2012, districts average ratio of weighted to unweighted students was 1.36.
• On average, the needs of different types of districts were similar although Chicago’s need was 1.60.
• Statewide average need in Illinois was about 2% higher than the national average.
• Statewide average need in Illinois was about 3% higher than the average of 8 comparable states (CA, FL, MI, NJ, NY, OH, PA, and VA).
  o MI, NJ, OH, PA, and VA had lower need than Illinois.
The per student equalized assessed property value (wealth) of school districts varied substantially in 2012.

The average wealth was $241,226, with a coefficient of variation of 1.094 (very high).

- Elementary districts = $295,491
- High School districts = $547,153
- Unit districts = $110,578 (Chicago = $210,990)

Growth in wealth between 2002 and 2012 was:

- Elementary districts = 97%
- High School districts = 72%
- Unit districts = 55% (Chicago = 154%)

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Average 2012 School District Wealth, per Student, by District Type
State GSA Support

- Average GSA support per student was $2,882 in 2012, the same as it was in 2007 and about 20% higher than it had been in 2002 (inflation was about 28% over the decade).

- Average Formula Grant support per student was $1,969 in 2012, less than it had been in 2007 ($2,052) and only 14% more than it was in 2002 (half the rate of inflation).

- The Formula Grant was somewhat related to need: the correlation was .30 in 2012, below the levels in 2007 (.40) and 2002 (.42).
Average Distribution of Current Operating Revenue, per District, by Funding Source
• The Formula Grant was moderately, inversely related to wealth (the correlation was -.61 in 2012 and -.65 in 2007 and 2002).

• Average Poverty Grant support per student was $430 in 2012, 103% higher than it was in 2007 and almost 3.5 times what it was in 2002.

• The Poverty Grant was strongly related to need (correlation was .70) but had only a mild wealth equalizing effect (correlation was -.24).
Local Support

- Local revenue provided $6,216 per student on average in 2012, 51 percent higher than it had been in 2002 (more than twice the rate of inflation).
- Local revenue was negatively associated with need (correlation was -.30) and strongly associated with wealth (correlation was .87).
- The imputed local tax rate was 3.27% of property wealth in 2012, which had declined from 3.89% in 2007 and 3.61% in 2002.
• Local tax effort was negatively associated with wealth (correlation = -.52) while also being negatively associated with local revenue per student (correlation = -.26) but positively associated with state support per student (correlation = .24).

• That means that wealthier districts tend to make lower tax effort while being able to raise more local revenue even if they receive less state aid.

• Or, poorer districts tend to make higher tax effort, raise less local funds while receiving more state support.
Per Student Spending

- In 2012, on average, districts spent $8,529 per student.
  - Elementary districts = $8,869
  - High school districts = $11,086
  - Unit districts (excluding Chicago) = $7,541
  - Chicago = $10,410

- Per student spending varied widely across all districts (the coefficient of variation was .300) although there was somewhat less variation among Unit districts (c.v. = .183).
Per Student Spending (Continued)

- Per student spending was strongly related to district wealth (correlation = .78), while being unrelated to district need (correlation = -.06).

- The relationship between spending and wealth was lower among Unit districts (correlation = .58) although it has been getting stronger over time (the correlation was .47 in 2002 and .51 in 2007).

- Average per student spending increased by more than the rate of inflation between 2002 and 2012 (34.5% vs 28%).
Per Weighted Student Spending

- When you take district need into consideration, spending looks somewhat different.
- In 2012, average spending per weighted student was $6,320.
  - Elementary districts = $6,490
  - High School districts = $8,596
  - Unit districts (excluding Chicago) = $5,574
  - Chicago = $6,526
Per Weighted Student Spending (Cont.)

- Spending per weighted student varied more than spending per student (c.v. = .331), was more strongly related to wealth (correlation = .83) and was negatively associated with need (correlation = -.34).

- Spending per weighted student increased by the rate of inflation (28%) between 2002 and 2012.

- We did not have the time/resources to examine per student spending to determine whether it was sufficient so that districts could meet state student performance objectives and other state education standards.
Spending per student varies significantly across school districts.

The variation in spending is not a result of the fact that the needs of districts vary – there is a negative relationship between district needs and spending.

There is a strong relationship between spending and district wealth.

The variation in spending is not a result of the fact that higher spending districts choose to make more tax effort to raise local revenue.
Taxpayer Equity

- Imputed property tax rates vary significantly across school districts (coefficient of variation = .372).
- Wealthier districts tend to have lower tax rates than poor districts.
- Districts with lower tax rates raise more revenue than districts with higher tax rates.
- Tax effort is unrelated to district needs.
Conclusions

• The Illinois school finance system is inequitable for students and taxpayers.
• Although some state aid is designed to have a wealth equalizing effect and some state aid is designed to be sensitive to student needs, it is insufficient in magnitude to overcome the impact of local revenue, which is much higher than state aid, is strongly related to wealth, and is not related to student need.
• Spending has kept pace with inflation but not with changes in student need.
Recommendations

• The state should undertake a thorough analysis of the revenue needs of school districts in order to determine both an appropriate base cost and a set of student weights.

• The state should use the information it gathers through this analysis to design the structure of the state aid system so that it is more sensitive to the needs of districts while wealth equalizing the distribution of state aid.

• The state should incorporate a larger share of local support into its formulas and/or increase state support.