

# EVIDENCE-BASED FUNDING & PROPERTY TAX RELIEF IN ILLINOIS

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# THE EVIDENCE-BASED MODEL WAS DESIGNED TO BRING ADEQUACY AND EQUITY TO EDUCATION FUNDING IN ILLINOIS

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OLD FORMULA



EQUAL FUNDING

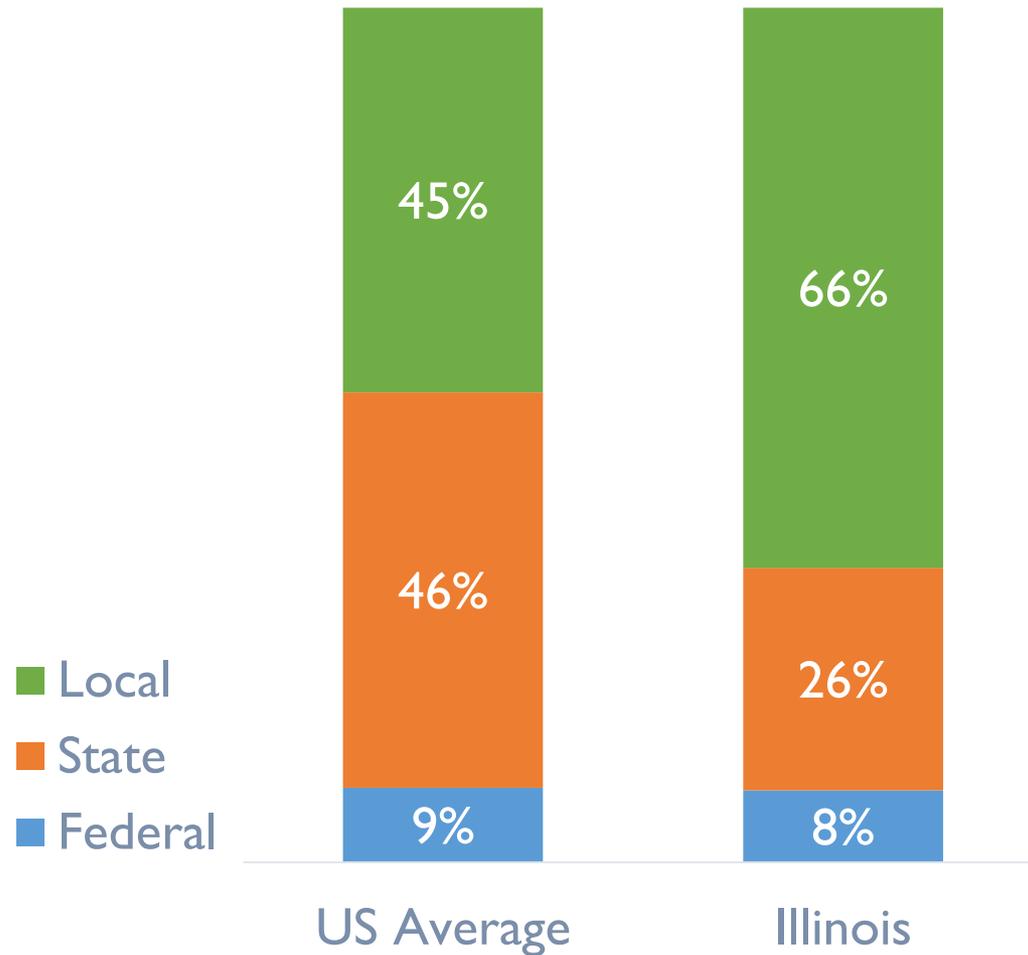


NEW FORMULA  
Path to Equity and Adequacy



# ONE REASON EDUCATION FUDING IN ILLINOIS HAS HISTORICALLY BEEN INEQUITABLE IS HEAVY RELIANCE ON LOCAL PROPERTY TAXES RATHER THAN STATE FUNDS

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ILLINOIS DEPENDS MORE HEAVILY ON LOCAL RESOURCES THAN NATIONAL AVERAGE

# THE EBF CREATES AN ADEQUACY TARGET FOR EACH DISTRICT BASED ON STUDENT NEED & THE COST OF A HIGH QUALITY EDUCATION, THEN DRIVES THE MOST NEW DOLLARS TO THOSE DISTRICTS FURTHEST FROM ADEQUACY

## 1. ADEQUACY TARGET

How much does providing high quality education cost?

## 2. PERCENT OF ADEQUACY

How well-funded is the district?

### LOCAL CAPACITY

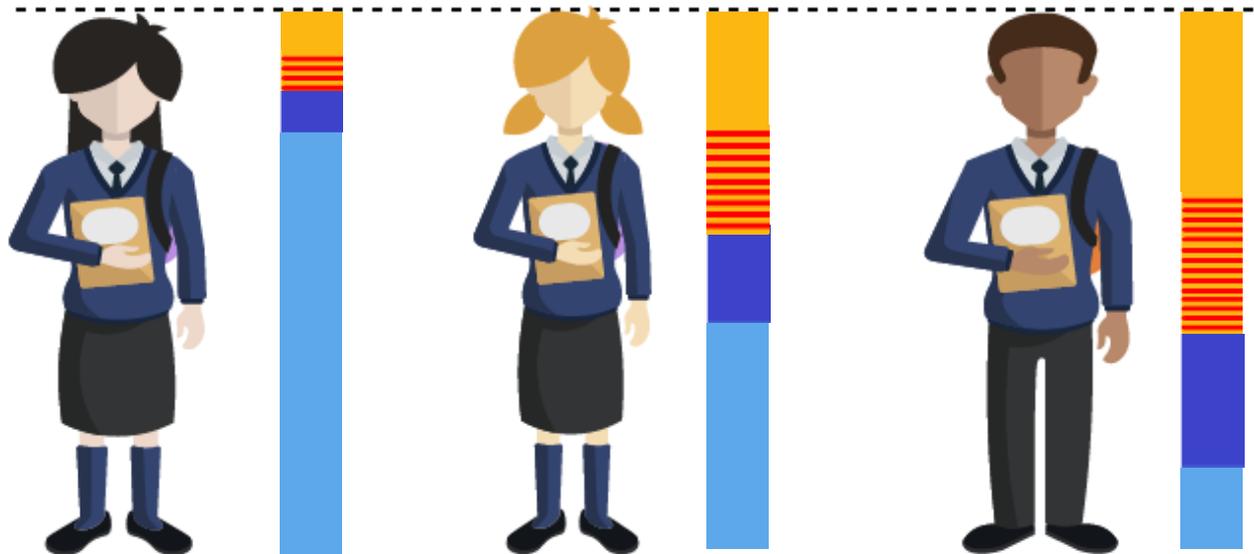
How much can the district contribute?

### BASE FUNDING MINIMUM

How much does the state currently contribute?

### GAP TO ADEQUACY

100% of Adequacy Target



District 1

District 2

District 3

## 3. DISTRIBUTION FORMULA

How is new money from the state distributed?

# EBF FUNDING TO DATE

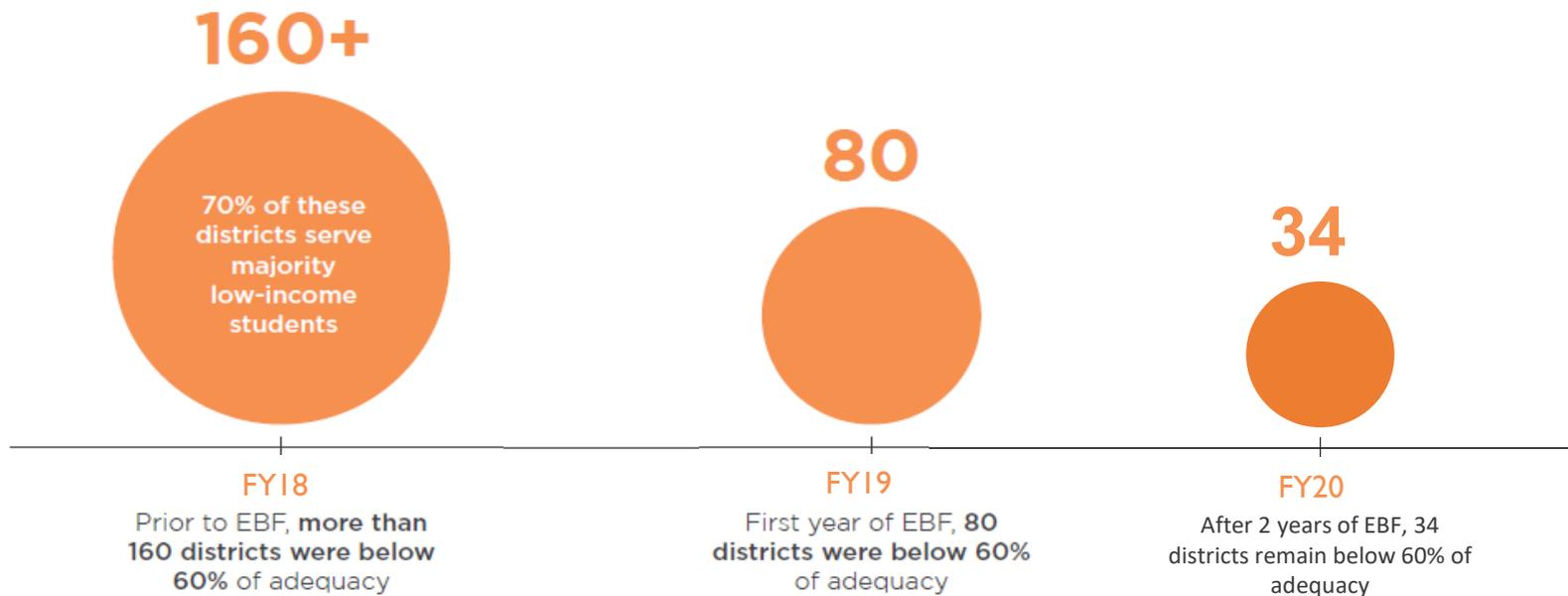
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- FY18 (1st Year of EBF) - \$366M invested through tiers
- FY19 (2nd Year of EBF) - \$300M invested through tiers
  - An additional \$50M went to the Property Tax Relief Grant
- FY20 (3rd Year of EBF) - \$312M invested through tiers
  - \$4.7M of this went to ROEs which were included in the formula for the first time in FY20, so ~\$307M will be invested in non ROE school districts in FY20
  - An additional \$50M went to the Property Tax Relief Grant

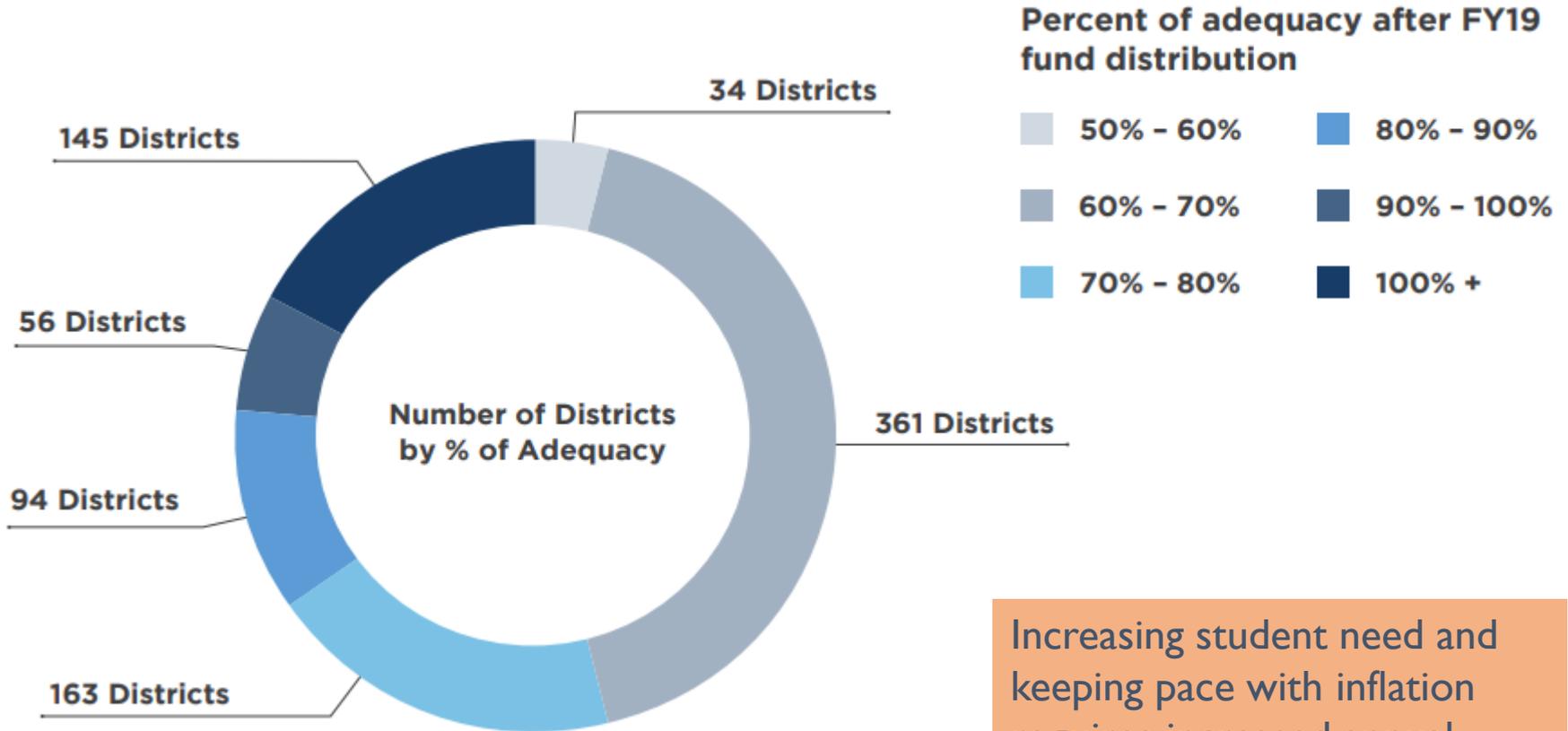
# THE FORMULA IS WORKING, MOVING DISTRICTS CLOSER TO ADEQUATE & EQUITABLE FUNDING

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This can be seen in the reduction in the number of districts under 60% of adequacy over the first 2 years of the formula.



# HOWEVER, ALMOST HALF OF ALL DISTRICTS STILL FALL BELOW 70% OF ADEQUACY



Increasing student need and keeping pace with inflation requires increased annual investment in K-12 Education.

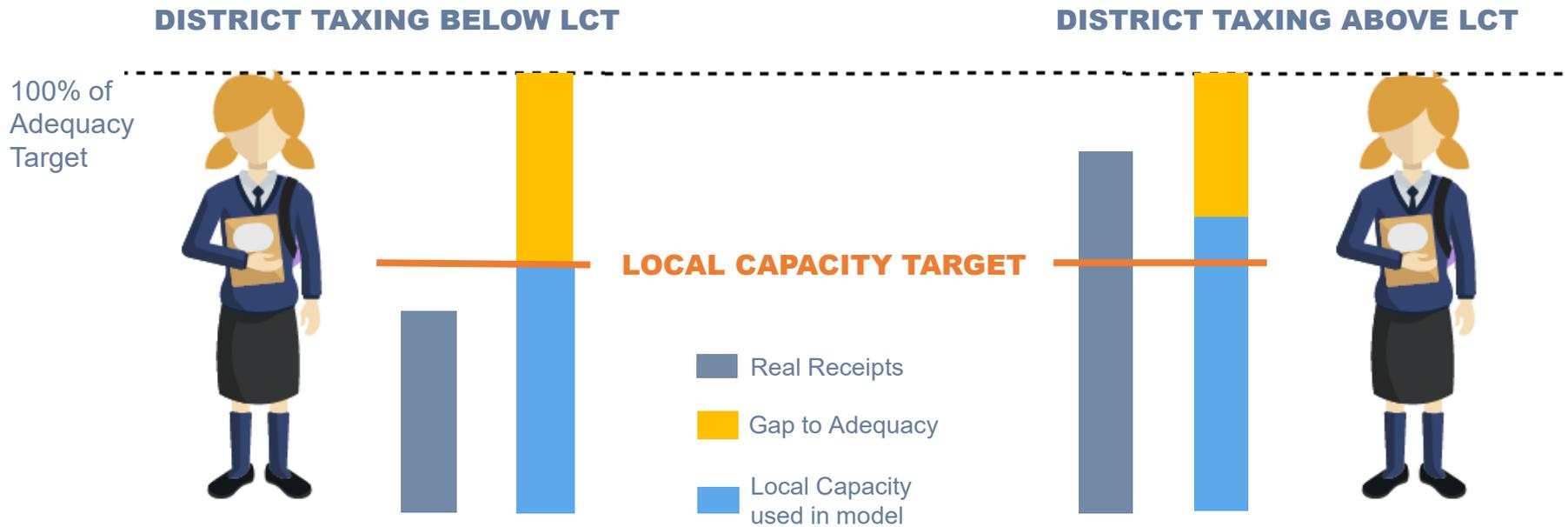
\* Reflects estimates of the change in adequacy following distribution of FY20 funding, using FY20 adequacy targets. Estimates do not include schools administered by Regional Offices of Education, which were included in the EBF for the first time in FY20.

## EBF INCLUDES 2 PROVISIONS DESIGNED SPECIFICALLY TO HELP REDUCE BURDEN ON LOCAL TAXPAYERS FOR EDUCATION SPENDING

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1. The Local Capacity Target
2. The Property Tax Relief Grant

# I. THE LOCAL CAPACITY TARGET PROVIDES FAIRNESS IN AN INEQUITABLE PROPERTY TAX SYSTEM



For districts collecting taxes *below* their Local Capacity Target:

- The formula uses their calculated LCT in their calculation of % Adequacy.
- This clearly shows that districts are responsible for a portion of how inadequately funded they are – when they tax low.
- If districts raise more revenue to reach their LCT, they do not lose any eligibility for state funding.

For districts taxing *above* their Local Capacity Target:

- Real receipts are adjusted downward towards their LCT in their calculation of % Adequacy.
- Therefore, state funds aren't lowered to account for greater-than-LCT local contribution.
- Districts can therefore lower their taxes and continue to receive more state funding.

# MANY DISTRICTS ARE CONTRIBUTING MORE THAN THEIR LOCAL CAPACITY TARGET TO PROVIDE FOR THEIR STUDENTS WHERE STATE FUNDING IS INSUFFICIENT

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- State Report Card website contains info needed to get a better understanding of district contexts ([Illinoisreportcard.com](http://Illinoisreportcard.com))
- Example: Harlem Unit District 122
- LCT is **27%** of Adequacy Target, but it is currently contributing about **50%** of its Adequacy Target from local revenue (twice its target), and its overall % of Adequacy with state and local funding is still only **65%**.

Real Receipts as a % of Local Capacity Target = **189%**



## OTHERS MAY HAVE HIGH TAX RATES, ARE CONTRIBUTING MORE THAN THEIR LCT, AND ARE FAR ABOVE ADEQUACY

- In cases like this, local conversations about what students need, and what tax rates are appropriate to provide for those needs, can be informed by the new information represented by the Adequacy Target.
- Example: Forest Park SD 91
- LCT is **90%** of Adequacy Target, but it is currently contributing **143%** of its Adequacy Target from local revenue and its overall % of Adequacy with state and local funding is **156%**.

Real Receipts as a % of Adequacy Target = **143%**



## MANY FACTORS ARE AT PLAY HERE – DISTRICT ADEQUACY, LOCAL CAPACITY TARGET, AND TAX RATES ALL NEED TO BE CONSIDERED

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Tax relief and adequate education spending may look very different for districts based on three factors:

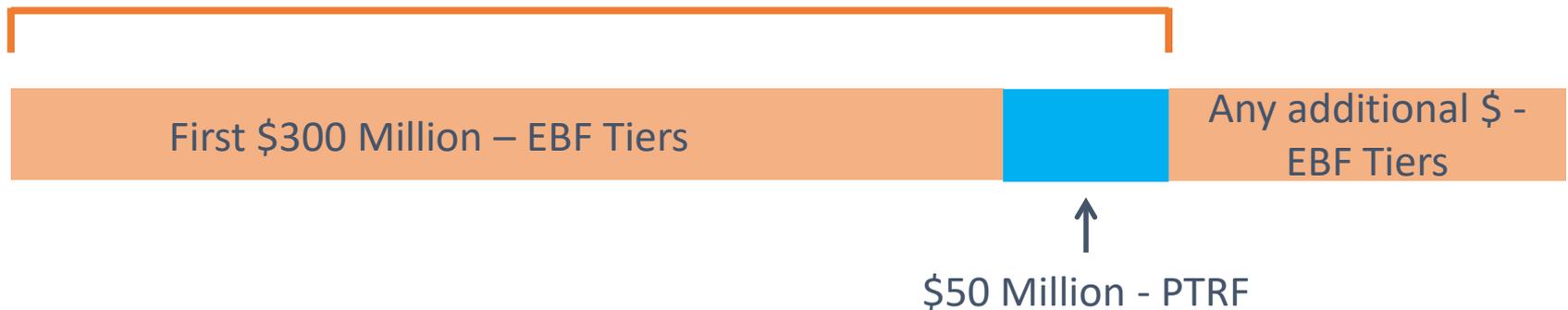
1. The level of student need in the district;
2. The amount of spending actually occurring in the district relative to their Local Capacity Target (LCT) and
3. The property tax rates in the district.

## 2. THE PROPERTY TAX RELIEF GRANT REPLACES LOCAL DOLLARS WITH STATE GRANT DOLLARS, ALLOWING RECEIVING DISTRICTS TO REDUCE PROPERTY TAX RATES WITHOUT DRAMATICALLY REDUCING SCHOOL FUNDING

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- Established in same law that created the Evidence Based Model and updated through a trailer bill
- Up to \$50 million set aside each year from any Evidence Based Model appropriation above \$300 million

\$350 Million Additional Appropriation for K-12 Ed



## THIS YEAR, WE SUCCESSFULLY ADVOCATED FOR CHANGES TO THE PROPERTY TAX RELIEF GRANT TO MAKE DISTRIBUTION MORE EQUITABLE

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1. Property tax relief grants compensate districts for reductions in their property tax levy.
2. This was meant to allow the neediest districts to lower their property taxes with minimal or no loss in revenue for schools.
3. FY19 data showed that the first year of the grant was directing a significant amount of tax relief dollars to districts that were currently funded above 90% of adequacy and above 100% of adequacy (Tier 3 and 4 districts). It was also favoring High School districts to the exclusion of Elementary and Unit districts.
4. The GA passed a bill to clean up the distribution of Property Tax Relief Funds. Now,
  - Property tax relief dollars go to districts that have high tax rates *and* are far from Adequacy;
  - All school district types have a chance to secure the grant;
  - A loophole in the prior version was closed, so that if a district re-raises its property taxes within the 2 years following receipt of the grant, they forfeit the right to continue receiving the original grant amount as part of their BFM.

## CHANGES TO LOCAL PROPERTY TAX STRUCTURE WILL HAVE CONSEQUENCES FOR THE SCHOOL FUNDING FORMULA & SHOULD BE CAREFULLY CONSIDERED AND MODELED TO UNDERSTAND IMPLICATIONS

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- A guiding principle of any property tax relief effort should be to ensure that tax relief measures do not interfere with a district spending enough to meet the needs of its particular student body.
- EBF provides tools to help make informed policy decisions about property tax relief without undermining districts' ability to provide a high quality education for their students.
- Continued and increased investment in the Evidence Based Formula by the state reduces the need for such heavy reliance on local property taxes.