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Fair Tax is Critical to Closing School Funding Gap

Chicago – Despite the progress in driving new dollars to the most under-funded school districts as a result of the evidence-based school funding reform of 2017, equitable funding to Illinois schools will increasingly worsen over the next several years, absent passage of Governor J.B. Pritzker’s progressive income tax.

“When the new funding formula passed, it was lauded as a victory for students achieved by bi-partisan compromise, and rightly so,” said Mimi Rodman, Executive Director of Stand for Children. “The gains have been tangible: poor school districts can point to real improvements such as more teachers and better technology. But let’s remember that the formula replaced the most inequitable school funding system in the country, and we won’t go from last to even the middle of the pack without being vigilant. Illinois needs sustainable revenue sources for education, and it must address the remaining inequitable funding structures. Otherwise, the momentum grinds to a halt. That’s why Illinois students need the fair tax to pass.”

During passage of education funding reform in 2017, lawmakers committed to increasing school funding each year by at least \$350 million. While \$350 million new dollars each year is a significant commitment, Illinois schools are so inadequately funded that it barely makes a dent. Depending on inflation, the adequacy gap will continue to grow even with a \$350 million annual increase, possibly even as soon as next year. New revenue through the fair tax is essential to getting schools across the state funded adequately.

Illinois can accelerate equity even further while still protecting teacher pensions by integrating their state pension normal cost payments into evidence-based funding. This proposal, known as the “equity boost” would immediately move the state over \$230 million closer to adequacy without costing the state any money. It would also fix the other alarming inequity in Illinois that remains unaddressed: in Illinois, state government picks up the pension costs for school districts that have greater local property wealth at a significantly higher level than it does for poorer districts. The equity gap is startling: districts funded over 100% of adequacy receive \$328 per pupil more than

districts funded below 80% of adequacy. A description of the equity boost and how the State can stay on the path to adequacy is at the conclusion of this press release.

Rodman points to the State of Washington as an example of state government being at the forefront of innovative support of students. In Washington, a new tiered tax will make it possible for over 100,000 students to attend community and four-year colleges for free or significantly lower costs. By contrast, Illinois is just at the beginning of digging out of decades of inequitable funding.

Our state has an inequitable tax system and inequitably funded schools. We need to continue to fix both. Without bold solutions like the fair tax and the equity boost, we are giving up on the children of Illinois.

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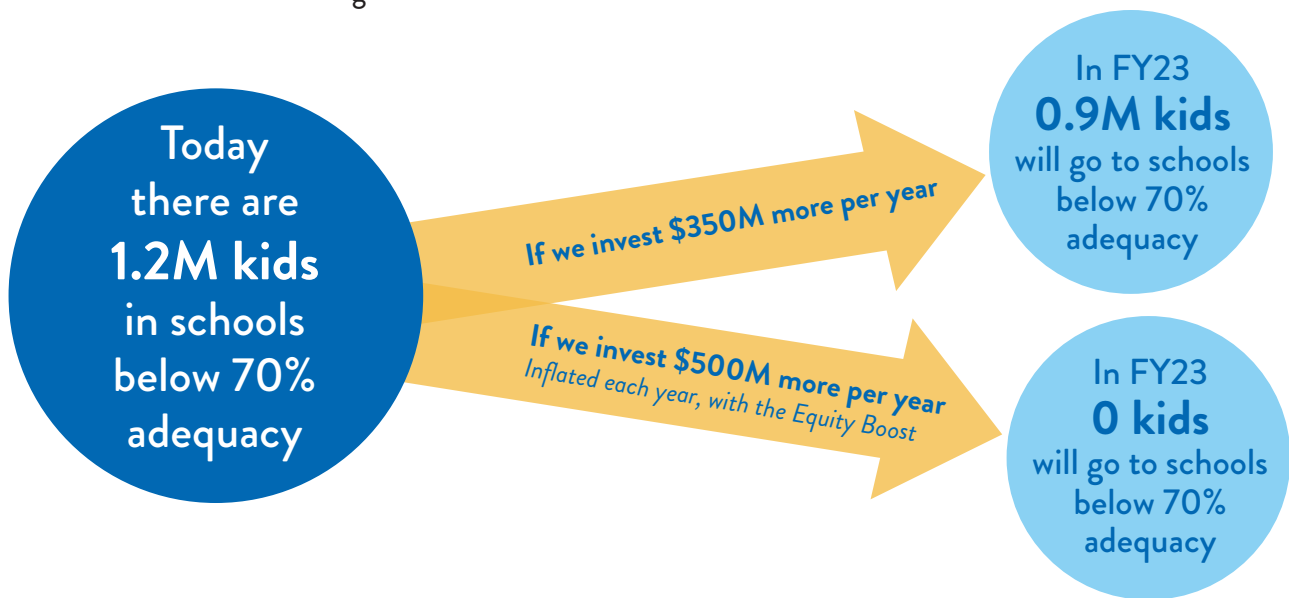
Stand for Children Illinois is a non-partisan education advocacy organization focused on ensuring all students receive a high quality, relevant education, especially children whose boundless potential is overlooked and under-tapped because of their skin color, zip code, first language, or disability.

PATHS TO ADEQUACY: ACCELERATING SCHOOL FUNDING EQUITY

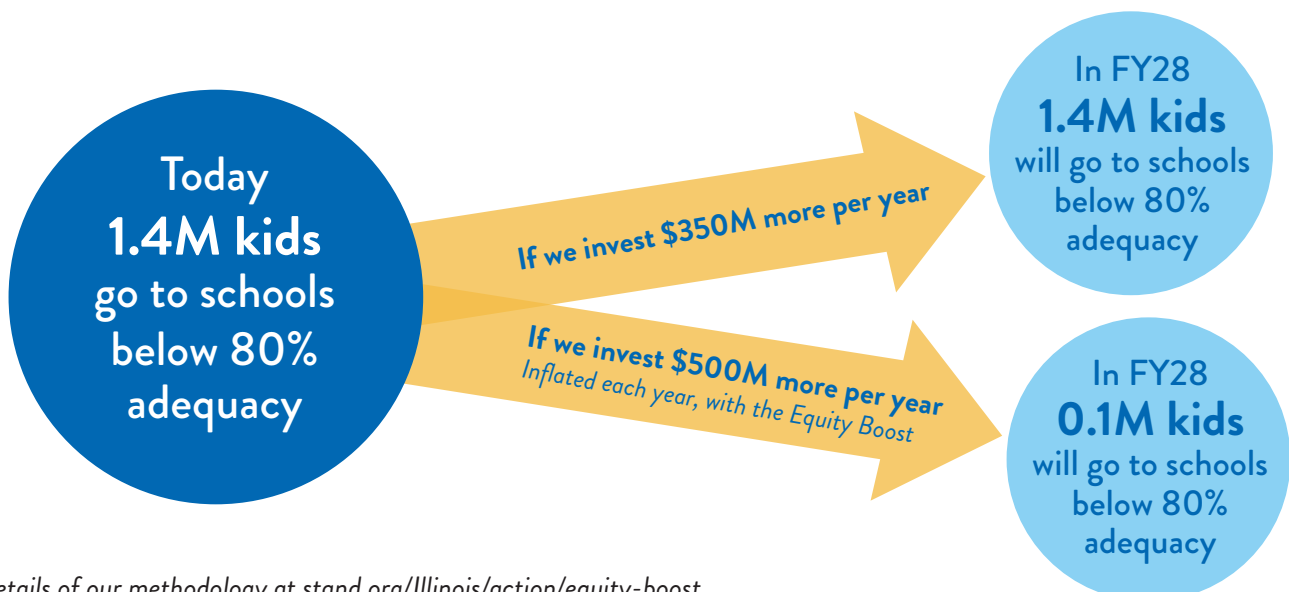
The Evidence-Based Funding (EBF) Formula of 2017 lays out a roadmap to reach adequate funding for every student in Illinois. With the resources in the system today, every school district could be funded at 80%. But instead, because of Illinois' deep inequity, some school districts are barely 60% funded while others enjoy funding above 200% of adequacy.

To ensure that poorly funded districts increase in adequacy, the EBF legislation established a Minimum Funding Level of \$350 million per year. But in FY20, the system will be **\$7 billion short**. That gap grows over time unless sufficient money is invested, as inflation drives up the costs of education while the value of \$350 million diminishes. So, while \$350 million drives equity – it does little to close the gap.

Nevertheless, Illinois can make significant progress in closing the gap to adequacy with a few modifications and a renewed commitment to investing in the formula.



Five years after that, the \$500 million annual investment increase would raise the floor to 80%. From FY19 to FY28, 1.43 million students would cross the threshold from below 80% to above it.



See details of our methodology at stand.org/illinois/action/equity-boost.

What is the Equity Boost?

The Equity Boost proposes to integrate teacher pension funding into the EBF formula, while holding districts harmless and bringing the system \$300 million closer to adequacy. The current practice of state-paid employer costs for teacher pensions disproportionately benefits the wealthiest districts. Read the report at stand.org/illinois/action/equity-boost.

How Much Does the Equity Boost Matter?

In FY20, the Equity Boost closes the adequacy gap at equivalent of two years of investing \$500 million in the EBF formula alone. In the out years, the Equity Boost drives increases in pension funding through the formula.

Does Property Tax Relief Grant Funding Close the Adequacy Gap?

The funding law devotes the first \$50 million appropriation increase beyond \$300 million to these grants. Some think of this as a diversion of resources from the formula, but investment in the PTRG pool still helps close the gap because those funds remain in the Base Funding Minimum each year. We estimate that every \$2 in PTRGs has the same gap-closing power as \$1 in the formula.



The Gap to Adequacy is Large. We Need to Invest to Close It.

The current Minimum Funding Level does not make progress quickly enough. Significantly larger investments are dependent on changes in taxes. In the meantime, we need to make every attempt to invest more quickly. This should allow us to hit significant benchmarks such as ensuring that all students are funded at least 80% of adequacy. This would make a tremendous difference to the students who attend the most underfunded schools today. Moving forward, we need to ensure that dollars are directed to those districts with the least funding. With new, sustainable revenue in the near future and continued commitment, Illinois can reach adequate and equitable funding for its students.

How is the New Formula Helping Students?

Districts across Illinois are investing their EBF funds to improve learning and restore cuts that they endured after years of underfunding. From replacing outdated instructional materials and defunct HVAC systems, to lengthening the school day and expanding early childhood, districts are maximizing the value of their new funding. For example:

- **DeKalb CUSD 428** hired 11 teachers, added enough social workers for each building site to have its own, and abated \$1.7 million in property taxes.
- **Zion ESD 6** reduced its kindergarten class sizes from 30 to 11-17 and hired 12 interventionists to support teachers, work with staff to analyze data, and provide direct instruction.
- **Jacksonville SD 117** raised their starting teacher salaries by over \$3,000 to help recruit talent to the district.



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