Illinois

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FUNDING PRIORITIES FOR P–12 AND/OR HIGHER EDUCATION

For P–12 education in Illinois, Fiscal Year (FY) 2014 marked the first increase in appropriations since FY 2009. Total appropriations for FY 2014 for elementary and secondary education increased by 1.9%, to $9.8 billion in FY 2014 from $9.6 billion in FY 2013 (The Civic Federation 2013). Prior to the FY 2014 increase of approximately $137 million dollars, state education funding had reduced by more than $1.2 billion dollars (11.2%) between FYs 2010 and 2013 (The Civic Federation). These funding decreases have tended to disproportionately affect vulnerable students; this topic will be explored further as a pressing state issue in a subsequent section.

In FY 2012, the most recent year for which such data could be found, the state's portion of educational revenue was 26.1% (16.4% general state aid [GSA] and 9.7% other state funding), while local revenues contributed 65.9% (61.1% local property taxes and 4.8% other local funding) and federal sources totaled 8.1% (Illinois Interactive Report Card 2014). According to this source, per-pupil expenditures for FY 2012 were $11,842. Thus, the average state-level expenditure was approximately $3,091 per student. This average measure, of course, does not reflect the tremendous variability in resources available to students across the state.

For higher education, total FY 2014 appropriations of $2.4 billion are approximately unchanged from FY 2013. Since 2010, total appropriations for higher education have declined by about 8.6% (The Civic Federation 2013).

In FY 2014, approximately $8.8 billion of the state budget is appropriated to the funding of education, of $64.4 billion in total appropriations ($31.1 billion of which come from state funds) (The Civic Federation 2013). This represents approximately 13.7% of total appropriations. Education and Medicaid represent the largest recipients of state money in Illinois.

CHANGES TO THE FUNDING FORMULA FOR P–12 AND/OR HIGHER EDUCATION

The distribution of GSA to Illinois P–12 school districts is determined by statutorily defined funding formulae, which were first implemented in FY 1999 (Illinois State Board of Education 2013). Yet, the state has consistently failed to provide funding support at the level of foundation levels established in statute. For FY 2014, the state has fallen dramatically short of the Education Finance Advisory Board's recommended $8,672 foundation level per student, as well as the $6,119 set by the state Legislature (Manar and Luechtefeld 2014). Moreover, inequities arising from the present system are well documented (Verstegen and Driscoll 2008). For these and other reasons, via Senate Resolution 0431, an Advisory Committee on Education Funding was established. On January 31, 2014, the committee issued a memorandum detailing its findings and recommendations (Manar and Luechtefeld). Significantly, the committee recommended fundamental changes to the method of funding K–12 education in Illinois. Also, they recognized the detrimental effect of failing to reach recommended foundation funding levels and recommended that these levels are met in the future; when funding levels are not met, GSA funds are prorated, which is especially problematic for the districts that are most reliant on state funds. It remains to be seen whether the recommendations will spur substantive debate or legislative action. Preliminary FY 2015 GSA calculations (based on the $6,119 foundation level, again unmet by budget appropriations) had been completed as of mid-August, 2014. An estimated shortage of $533 million requires a preliminary proration of 89%, which is similar to prior years (Koch 2014). Of note, early childhood funding will remain flat for another year after enduring deep cuts from 2009 to 2012 (Lloyd 2014).

In April 2014, Senator Andy Manar proposed a new funding formula through Senate Bill 16. It called for a four-year phase-in plan using a new weighted pupil formula based on student need to calculate GSA. The bill passed the Senate in the spring, but subsequently the General Assembly wrapped up its legislative session without acting on it. According to State Superintendent of Education Christopher Koch, however, Senate Bill 16 "generated significant discussion among lawmakers and raised this issue to the forefront" (Koch 2014).

Most significantly with respect to higher education, performance funding in Illinois began in FY 2013 with the passage of Illinois Public Act 097-0320. In FY 2013, less than 1% of institutional-level funding related to performance on various metrics (National Conference for State Legislatures 2014). Potentially, performance funding will take on a greater role in the future.

PRESSING STATE ISSUES AFFECTING P–12 AND/OR HIGHER EDUCATION FUNDING

The Illinois public pension system, by most assessments, has been in a state of relative crisis; Illinois' unfunded public pension liability, for instance, is the 4th largest in the nation (Eucalitto 2014). A pension reform law, after much discussion and the failure of prior bills, finally passed the legislature and was passed into law in December (Illinois Public Act 98-0599 [Senate Bill 1]). Among its provisions are cuts to retiree cost-of-living adjustments, delayed retirements among those younger than 45 years, and a 1% drop in "tier one" employee contributions. Five lawsuits were filed by various groups, with claims that the new law violates the state constitution (Lester 2014). The state's Attorney General has since combined the lawsuits into one, which will be adjudicated in Sangamon County, Illinois. On May 14, 2014, a Sangamon County judge blocked the pension changes through a temporary restraining order until the lawsuit is heard. The law, which is intended to resolve a significant state shortfall relative to its pension obligations to workers, has supporters and detractors. Subsequent court rulings will be closely monitored, as they will have far-ranging consequences on individuals, school districts, and beyond.

Inequities in P–12 funding persist across the state of Illinois; in fact, Illinois recently received an “F” grade in terms of its funding fairness (distribution) (Baker, Sciarra, and Farrie 2014). These inequities are exacerbated by the state’s continued failure to meet the statutorily defined founding levels, with regressive effects.

Illinois also faces a $10 billion infrastructure need for new schools and for repairs to new schools. Illinois only recently fulfilled its obligations for school construction in 2012 on approvals granted a decade ago.

In 2011, a temporary income tax increase (3% to 5% personal; 4.8% to 7%) was passed, and it is set to begin phasing out in 2015. Unless intervening legislation is passed, as these rates return to normal levels, state revenues will decrease dramatically. This revenue decrease would affect all areas of state budgeting, including P–12 and higher education funding. Concurrently, two new changes to taxation in Illinois are being discussed. The first is a suggestion for a progressive income tax to replace the current flat rate tax. The second is a suggestion to impose a 3% additional tax for those whose annual personal income exceeds one million dollars. In any event, any such changes would carry consequences in terms of the state’s ability to raise funds. The tax structure is particularly important in view of Illinois’ enormous backlog of unpaid bills, which currently totals in the billions ($6.4 billion in December 2013, although possibly decreasing slightly since that time to about $5.6 billion) (Illinois Statewide School Management Alliance 2014). The Illinois deficit has been most recently estimated at nearly $45 billion (Topinka 2013); this is believed to be the largest deficit of any state in the nation.

FORCES DIVERTING FUNDS FROM TRADITIONAL PUBLIC SCHOOL DISTRICTS (P–12)

Most obviously, some funds have been diverted from traditional public school districts to charter schools. As of July 2013, a total of 66 charter schools were either opened or approved to open. Most (51 of 66) operate in Chicago (Illinois State Charter School Commission 2013). Related, Moody's Investor Service (2013) recently asserted that charter school growth presents negative credit pressure on school districts, particularly in economically troubled areas.

Also, the Illinois general assembly has frequently passed legislation that causes expenditure increases for school districts. For example, Senate Bill 2178 requires public and nonpublic school districts that have a high school to provide catastrophic accident insurance coverage for student athletes who sustain an accidental injury while participating in school-sponsored athletic events sanctioned by the Illinois High School Association that results in medical expenses in excess of $50,000. Undoubtedly, many of the new laws serve a good purpose. Nonetheless, districts are required to reduce, skimp, and neglect older laws to fund new legal requirements precipitated by new legislation.

A final diversion centers around grants to school districts as part of the Property Tax Extension Limitation Law (PTELL) passed in 1990. Wealthier Chicago collar county districts have seen their ability to levy for education costs severely curtailed by the PTELL legislation. As a result, the state has diverted moneys to the PTELL districts that otherwise should have been included in the GSA formula system.

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