



Understanding Evidence- Based Funding

PA 100 – 0465

A Guide to the Distribution System

Spring 2018



Introduction

The Evidence-Based Funding (EBF) formula performs calculations in three general stages.

- **Stage 1:** Determining the cost of educating all students, according to the defined cost factors. The result is the **Adequacy Target** for each district.
- **Stage 2:** Measuring each district’s local resources for comparison to the Adequacy Target.
- **Stage 3:** Distributing additional state funds to assist districts in meeting their Adequacy Targets.

Completing the first and second stages produces a ratio that determines how far away a district is from adequate funding in Stage Three.



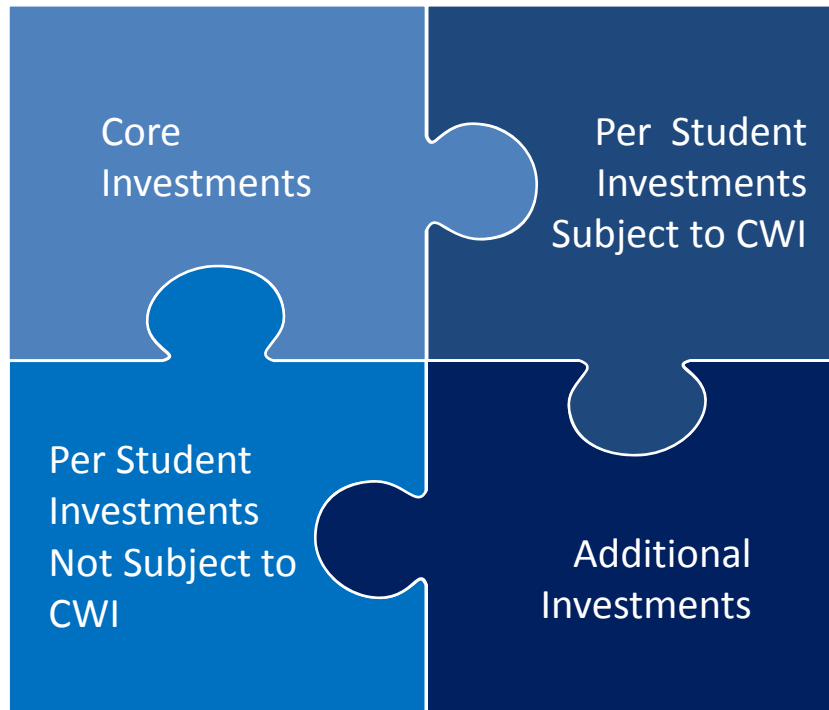


Stage 1: Determining a District's Adequacy Target



Adequacy Target

Adequacy Target (AT) = Sum of all Education Cost Factors



= Initial Adequacy Target



Abbreviations Used

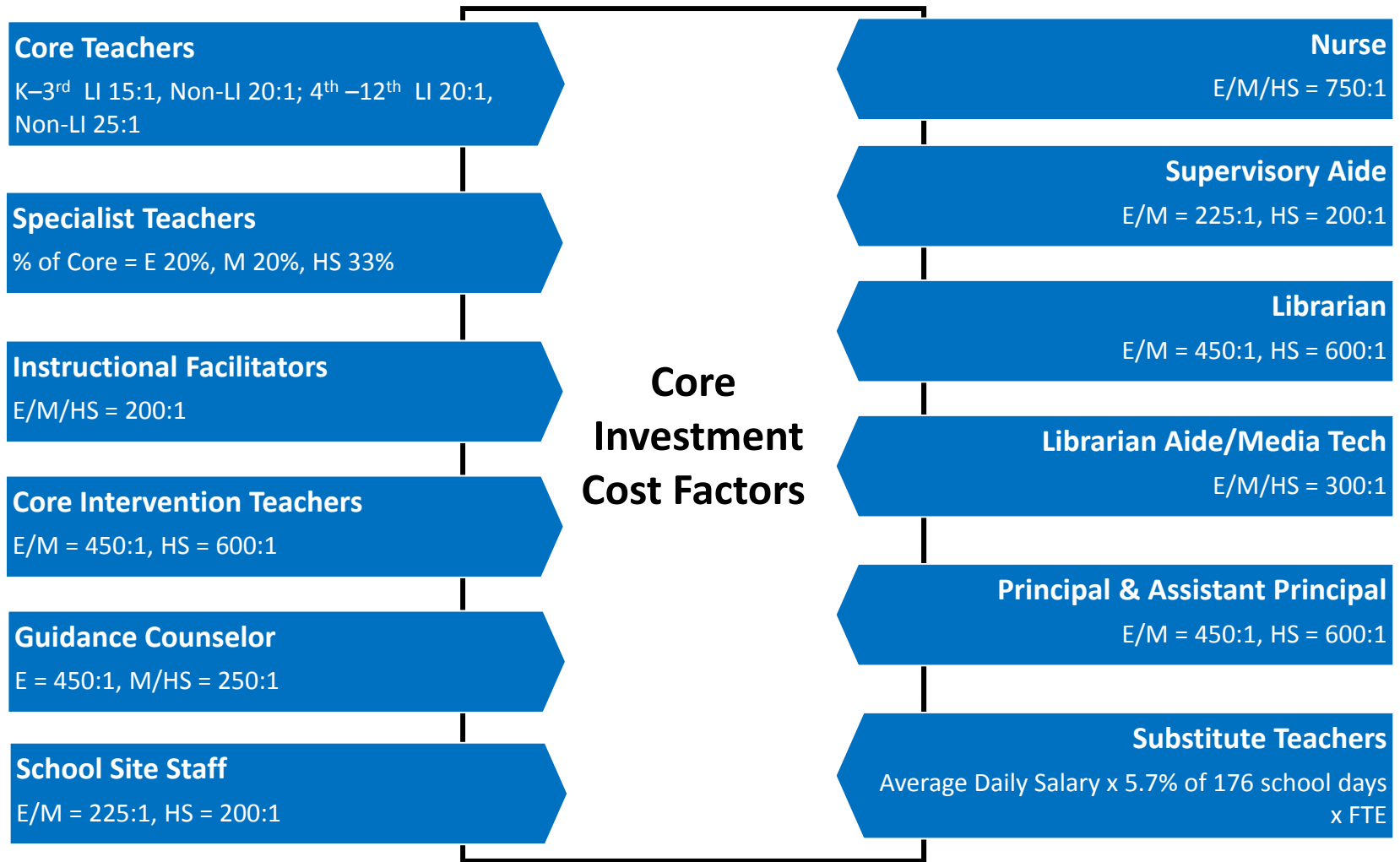
Several abbreviations are used when building a district's Adequacy Target, they are as follows:

| Item | Abbreviation |
|----------------|--------------|
| Elementary | E |
| Middle School | M |
| High School | HS |
| Low-Income* | LI |
| Non Low-Income | Non-LI |

* Reported by the Department of Human Services (DHS).

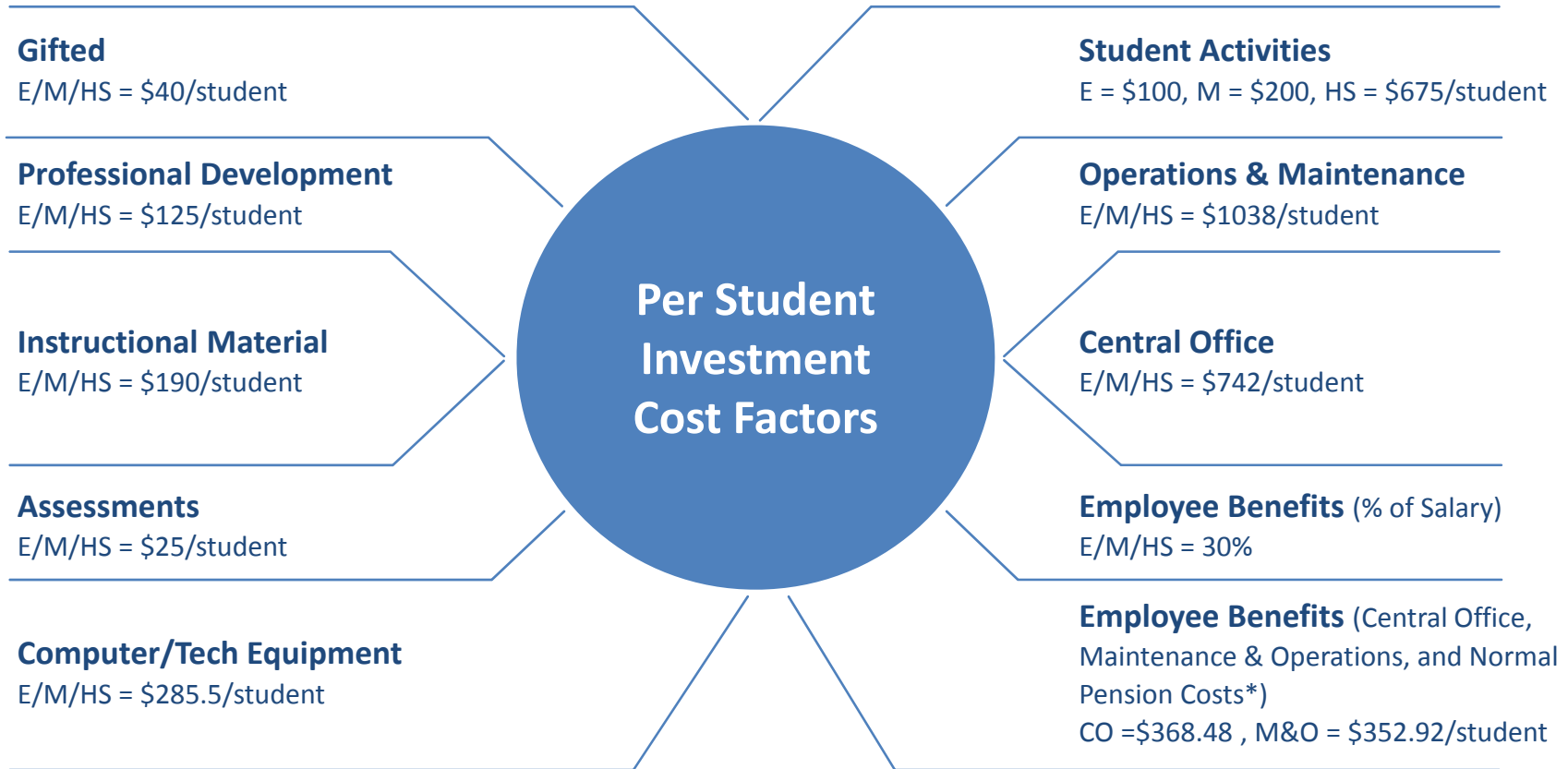


Adequacy Target – Core Investments





Adequacy Target – Per Student Investments



*Currently Normal Pension Costs only applies to Chicago Public Schools.



Adequacy Target – Additional Investments

Additional Investment Cost Factors

Low-Income

- Intervention Teacher (125:1)
- Pupil Support (125:1)
- Extended Day Teacher (120:1)
- Summer School Teacher (120:1)

English Learner

- Intervention Teacher (125:1)
- Pupil Support (125:1)
- Extended Day Teacher (120:1)
- Summer School Teacher (120:1)
- English Learner Core Teacher (100:1)

Special Education

- Special Education Core Teacher (141:1)
- Instructional Assistant (141:1)
- Psychologist (1000:1)



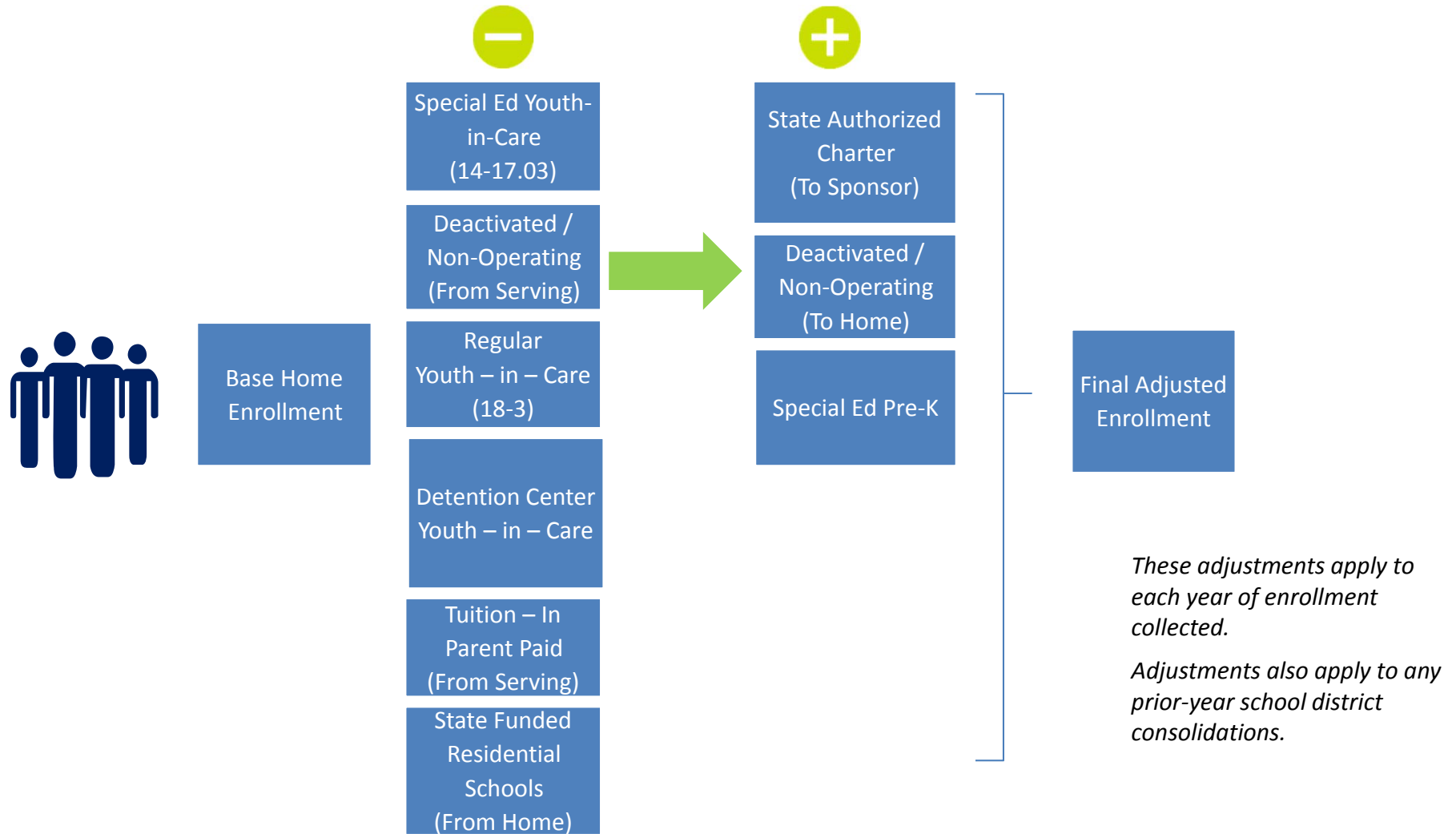
Adequacy Target – Enrollment

- Calculating the total investment costs that determine a district's Adequacy Target requires enrollment data by grade.
- Enrollment impacts the number of calculated Full Time Equivalent (FTE) associated with each of the Adequacy Target cost factors or a per student cost.
- EBF requires several adjustments to raw home enrollment data to account for subset student populations. These subset student populations include:
 - » Special Education Pre-Kindergarten Students
 - » Students from Deactivated/Non-operating Districts
 - » Regular (18-3) Youth-in-Care
 - » Tuition-In Students
 - » Students Served at State-Authorized Charters
 - » Special Education Youth-in-Care
 - » Students at State-Funded Residential Schools
- EBF requires the collection of two prior years of enrollment in addition to the current one year of enrollment for the calculation of a three-year average. The **greater of** either the current year or the three-year average for each district's **Average Student Enrollment (ASE)** is used in EBF calculations.

Note: Half-day Kindergarten students are counted as 0.50.



Adequacy Target – Enrollment



**ISBE collects the above data on both October 1 and March 1. EBF calculations use the greater of the three-year average or current year for each data set. Final enrollment for each year is the average of the October 1 and March 1 data sets.*



Adequacy Target – Regionalization Factor

A Regionalization Factor is used to determine the Final Adequacy Target.

The Regionalization Factor or Comparable Wage Index (CWI) is a measure of regional variations in salaries.



Note: EBF sets the lowest Regionalization Factor to 0.90. Previous EBF models used a highest factor of 1.05651.



Stage 2: Determining a District's Local Resources



Determining Local Resources

EBF defines a district's resources as the sum of:



Dividing a district's resources by its **Adequacy Target** determines the district's **Adequacy Level**:



Increasing any element of the numerator (Resources) means a district appears closer to its Adequacy Target, resulting in less State funding.



Determining Local Resources - Base Funding Minimum

- EBF includes a hold harmless provision called the Base Funding Minimum.
- EBF consolidates and replaces five grants received in FY 17 into the BFM:
 - Gross General State Aid + Stop Loss Grant (if applicable)
 - English Learner Education
 - Special Ed Personnel
 - Special Ed Funding for Children
 - Special Ed Summer School
- Chicago Public Schools will also receive the calculated FY 17 Block Grant Overage.
- BFM will be recalculated each fiscal year to include additional funds received by each district (the Tier Funding).

| FY 2018 | FY 2019 | FY 2020 |
|---------------------|-----------------------------|-----------------------------|
| FY 17 Distributions | FY 17 + FY 18 Tier Money | FY 18 + FY 19 Tier Money |

Effective FY 19 \$29 M English Learner Administration grant will also be included in the BFM calculation.



Determining Local Resources – Local Capacity Target

Calculating Adjusted Equalized Assessed Valuation (EAV)

The Adjusted EAV is used in the calculation of the Local Capacity Target. The amount is determined through a three-step process:

Step 1: Calculate the three-year average of a district's "Real" EAV

"Real" EAV = (Original EAV – Adjustments)

(Property Tax Appeal Board Decisions, Certificates of Error, and Abatements)

Step 2: Compare the three-year average EAV to the most recent year EAV. If the most recent year EAV represents a decrease of 10 percent or greater, EBF uses the lesser EAV.

Step 3: For districts subject to Property Tax Extension Limitation Law (PTELL), compare the EAV selected in Step 2 to the calculated PTELL EAV. EBF uses the lesser EAV.



Determining Local Resources – Local Capacity Target

Calculating Local Capacity Ratio & Percentage (1)

Each district’s Local Capacity Target calculation continues with determining its Local Capacity Percentage through a four-step process:

Step 1: Determine the district’s Local Capacity Ratio (LCR).

$$\text{LCR} = \frac{\text{Adjusted EAV}}{\text{Adequacy Target}}$$

- Step 2:** If a unit district..... LCR x 1
If an elementary district..... LCR x 9/13
If a high school district..... LCR x 4/13



Determining Local Resources – Local Capacity Target

Calculating Local Capacity Ratio & Percentage (2)

Step 3: Calculate the district’s Cumulative Distribution resulting in the Percentile Ranking of LCR.

This step is a method for standardizing this measure of local property wealth.

This step uses Weighted Average LCR and Weighted Standard Deviation.

Note: LCR is capped at 90 percent. The capped LCR becomes the Local Capacity Percentage (LCP).

Step 4: Multiply the district’s LCP by its Adequacy Target to arrive at the Local Capacity Target (LCT).

$$\text{LCT} = \text{Adequacy Target} \times \text{LCP}$$



Determining Local Resources – Adjusted Local Capacity Target (1)

EBF calls for an adjustment to LCT to increase the measurement of wealth for districts whose local revenue exceeds their Local Capacity Target. The adjustment is calculated by following six steps:

Step 1: Identify the Adjusted EAV for the calculation.

- PTELL EAV is not considered for this calculation

Step 2a: Calculate the Adjusted Operating Tax Rate (OTR) requires the following data points:

- Tax Year 2015 Real EAV
- Tax Year 2015 OTR (prior to any adjustments)
- FY 2016 Annual Financial Report Transportation Expenditures (Codes 2250, 4110, 4120)
- FY 2016 State Transportation Reimbursements (Codes 3500, 3510)



Determining Local Resources – Adjusted Local Capacity Target (2)

Step 2b: Calculate the Adjusted Operating Tax Rate (OTR):

- Calculate the Transportation Rate to deduct from OTR.

$$\left[\begin{array}{|c|} \hline \text{Transportation} \\ \text{Expenditures} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{State} \\ \text{Transportation} \\ \text{Reimbursement} \\ \hline \end{array} \right] \div \begin{array}{|c|} \hline \text{Real EAV} \\ \hline \end{array} = \text{Transportation Rate}$$

- If the State Transportation Expenditures is greater than the Transportation Reimbursement, subtract the calculated Transportation Rate from the Original OTR.

$$\begin{array}{|c|} \hline \text{Original} \\ \text{OTR} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Calculated} \\ \text{Transportation} \\ \text{Rate} \\ \hline \end{array} = \text{Final Adjusted OTR}$$

*Note: OTR is adjusted because **no** transportation funding and expenditures are included in EBF.*



Determining Local Resources – Adjusted Local Capacity Target (3)

Step 3: Calculate Local Revenue (Real Receipts):

$$\text{Real Receipts (RR)} = \text{Real EAV} \times \text{Adjusted OTR}$$

Step 4: Identify if an adjustment to LCT applies:

- If Local Rev < LCT, ***NO Adjustment to LCT.***
- If Local Rev > LCT, ***Adjustment to LCT applies.***

Step 5: If applicable, calculate the Real Receipts Adjustment:

$$\text{RR Adjustment} = \left[\text{Real Receipts} - \text{LCT} \right] \times \text{Local Capacity Percentage \%}$$



Determining Local Resources – Adjusted Local Capacity Target (4)

Step 6: Apply RR Adjustment to LCT (if applicable):

$$\text{Adjusted LCT} = \boxed{\text{LCT}} + \boxed{\text{RR Adjustment}} - \boxed{\text{CPS Remaining Pension Obligation}}$$

Note: If the adjustment is applied the *numerator increases*, making the district appear **wealthier**.



Determining Local Resources – Adjusted Base Funding Minimum

The final adjustment made in determining a district's local resources is the adjustment to Base Funding Minimum.

- The BFM adjustment reduces local wealth, with a greater reduction for districts furthest from their Adequacy Targets.
- The BFM adjustment modifies the amount of Supplemental General State Aid (SGSA) funding for low-income students included in local resources.

$$\text{Adjusted BFM} = \left[\text{BFM} - \text{SGSA} \right] + \left[\text{SGSA} \times \text{Preliminary \% of Adequacy} \right]$$

Note: EBF credits districts with a low Percent of Adequacy **with a reduced** amount of the Low-income SGSA Grant funding received in the prior year in their local resources



Determining Local Resources – Final Resources and Final Percent of Adequacy

The Final Percent of Adequacy determines a district's **Tier Assignment** in Stage Three of the calculations.

$$\text{Final Local Resources} = \text{Final LCT} + \text{Adjusted BFM} + \text{CPPRT}$$

$$\text{Final Percent of Adequacy} = \frac{\text{Final Resources}}{\text{Adequacy Target}}$$

*Note: A low Percent of Adequacy means the district is distant from meeting its Adequacy Target and **needs greater state assistance**. A higher Percent of Adequacy means the district is closer to its Adequacy Target and therefore **requires less state assistance**.*



Stage 3: Distribution of New State Funding



Determining State Contribution

As examined in the introduction the State Contribution to Evidence-Based Funding is comprised of:



- As explained in the previous stage, Base Funding Minimum is the sum of the following grants received in FY 17:
 - General State Aid + Stop Loss Grant (if applicable)
 - English Learner Education
 - Special Ed Personnel
 - Special Ed Funding for Children
 - Special Ed Summer School
- Tier Funding will vary depending on a district's Final % of Adequacy



Determining State Contribution Funds Available for Tier Distributions

EBF specifies how to determine the total funds available for Tier Distributions:

From the total appropriation amount, subtract BFM and Fixed Distributions:

- BFM for all public school districts and Regional Offices of Education (ROE) programs
- BFM for Specially Funded Units (State Authorized Charters, Illinois Department of Juvenile Justice Programs, Co-ops, ROE, and Glenwood Academy)
- English Learner Technical Assistance, Professional Development, and Other Support Services
- Normal Pension Costs for CPS (FY 18 Only)
- Prior Year Adjustments for EAV Corrections

The remaining funds are available for Tier Distributions.



Determining State Contribution - Tier Funding

Once the funds available for Tier Distribution are identified, the percent of funding for each Tier is calculated. Per EBF, each Tier receives the percent as listed below.

| Tier | % of New Funding |
|---------|---|
| Tier 1 | Receives 50% |
| Tier 2* | Receives 49% (*Includes Tier 1 and Tier 2 Districts) |
| Tier 3 | Receives 0.9% |
| Tier 4 | Receives 0.1% |



Determining State Contribution – Tier Assignments

A district's Final percent of Adequacy determines its assignment into one of the four tiers.

*A low percent of Adequacy means the district is distant from meeting Adequacy and **needs and receives more state assistance.***

*A higher percent means the district is closer to Adequacy and therefore **requires and receives less state assistance.***

| Tier | Target Ratio | State Assistance |
|--------|---|--|
| Tier 1 | TBD (in modeling ranged from 60-65%) | Furthest away from Adequacy, more state assistance |
| Tier 2 | <90% | |
| Tier 3 | ≥90% <100% | |
| Tier 4 | ≥100% | Greater than adequacy, least amount of state assistance. |



Funding Allocation Rate

Funds available for each Tier based on the **Funding Allocation Rate**.

The Funding Allocation Rate applies to the **Funding Gap** for districts in Tiers 1 and 2 and to the **Adequacy Target** for districts in Tiers 3 and 4.

| Tier | Funding Allocation Rate |
|--------|--|
| Tier 1 | Fixed at 30 % |
| Tier 2 | TBD (In EBF modeling, averaged 5%.) |
| Tier 3 | TBD (In EBF modeling, averaged 0.2%.) |
| Tier 4 | TBD (In EBF modeling, averaged 0.01%.) |

Note: With the exception of Tier 1, the Funding Allocation Rate will vary every year depending on the funds available for Tier Distributions.



Tier Funding Calculation Varies Depending on Tier Assignment of Each District

- Funding calculations for Tiers 1 and 2 require multiple steps.
- Tier 1 funding is deducted from Tier 2 distributions to recognize Tier 1 districts already receive this funding in addition to Tier 2 funding.

| Tier | Calculating Tier Funding |
|--------|---|
| Tier 1 | <p>Step 1 Funding Gap = (Final Adequacy Target X Tier 1 Target Ratio) – Final Resources</p> <p>Step 2 Tier 1 Funding = Funding Gap X Tier 1 Allocation Rate</p> |
| Tier 2 | <p>Step 1 Funding Gap = [(Final Adequacy Target X Tier 2 Target Ratio) – Final Resources – T1 Funding] X (1 – Local Capacity Percentage)</p> <p>Step 2 Tier 2 Initial Funding = Funding Gap X Tier 2 Allocation Rate</p> <p>Step 3 Ensure no Tier 2 district receives less funding per student than a Tier 3 district. Funding comes from Tier 3 districts.</p> |
| Tier 3 | Tier 3 Funding = Adequacy Target X Tier 3 Allocation Rate |
| Tier 4 | Tier 4 Funding = Adequacy Target X Tier 4 Allocation Rate |



Summary

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- **Stage 2:** Measuring each district’s local resources for comparison to the Adequacy Target.
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Completing the first and second stages produces a ratio that determines how far away a district is from adequate funding. The districts furthest away from Adequacy receive the greatest proportion of the Tier Funding.

