



The Funding of K-12 Education in Illinois

A Marginal Grade Using Any Test

Despite new money in recent years, Illinois schools
continue to underachieve.



¹ Illinois State Constitution, Article X, Education, Section 1. Retrieved September 26, 2007, from <http://www.ilga.gov/commission/lrb/con10.htm>

The Funding of K-12 Education in Illinois: A Marginal Grade Using Any Test

By Peter Mulhall

The Constitution of the State of Illinois boldly and clearly proclaims that “the State has the primary responsibility for financing the system of education.”¹ But the state financed only 35 percent of that system in 2006, making it remarkably obvious that it is not living up to its role as primary guarantor. The consequences of surrendering this responsibility are becoming increasingly evident, not only in funding differences, but with significant gaps in educational achievement, drop-outs, enrollment in post-secondary education, and financial burden on communities. The role of the federal government has increased dramatically with the passage of *No Child Left Behind* in 2001, but the Illinois Supreme Court has affirmed that the legislature must be the body that decides the adequacy and support for education.

No doubt, the issue of school funding is complex, sensitive and, most of the time, politically charged because of the disparity of wealth and educational attainment across the state. Moreover, school funding is vigorously debated in the Illinois General Assembly as the state’s contribution has precipitously dropped over the past two decades and the communities’ contributions, where possible, have substantially increased. This chapter reviews the current status of education funding in Illinois, with a focus on the last several years based on data available from the state and federal governments. We describe trends for school funding, categories of expenditures, and how those relate to student learning.

Background: Illinois K-12 Funding

The question of whether Illinois schools are adequately funded is somewhat rhetorical because education is a complex and poorly understood process. Schools are part of sys-

tems that seek to teach knowledge, facts and skills, and a host of other less quantifiable factors such as values, judgment, ambition, aspirations and confidence. At this time, only academic achievement is given attention and research on the effects of school funding is equivocal. In other words, it depends on what is measured, how it is measured, and the degree to which costs are linked to specific results.

We can accurately assess basic knowledge and some academic skills, which most would view as necessary but not sufficient for creating healthy, productive and civically engaged members of our democratic society. But we cannot accurately assess the true value of educational outcomes. To truly assess the impact of our schools, we need to go beyond standardized test scores to include critical thinking, creativity, civic engagement, character, healthy lifestyles and numerous other factors. Although many critics believe these types of outcomes are beyond the scope of our educational system, the fact remains that the legislature, school districts and even parents seek to address these critical issues through mandates in the curriculum that create high expectations but provide few resources to support them. Recent examples of legislative fiat include a moment of silence and a wellness policy that is designed to address the emerging obesity epidemic.

The research community and policymakers are only in the early stages of understanding educational outcomes measured by knowledge, skills and competencies through achievement tests, but most other critical skills and how they drive achievement are poorly understood. Our goal is to ask challenging questions about how Illinois spends education dollars, how it compares to surrounding states, whether how money is

spent makes a difference, and the impacts different profiles of schools have on education achievement. However, this analysis is limited by the availability of information obtained from the Illinois State Board of Education (ISBE) School Report Card, financial data from the ISBE Web site, and the Common Core Data Set that is part of the U.S. Department of Education's National Center for Educational Statistics Web site. Data were limited to the most recent years available.

How much does Illinois spend on K-12 and how does that compare to surrounding states?

The Illinois education system includes 800 school districts and more than 4,200 public schools that spend \$17.3 billion annually, making it one of the largest enterprises in the state. However, it is unclear whether \$17.3 billion is enough to adequately educate all Illinois students. Illinois has many excellent schools but it also is evident that many schools in the state are failing. Most of those failing schools are in communities that serve predominately disadvantaged children.

Because of the federal *No Child Left Behind (NCLB)* law, Illinois has committed over the past five years to having all students meet the Illinois Learning Standards created by ISBE and approved by the legislature and the federal government. By measuring whether students and schools are meeting those standards, we now have a crude metric for determining whether Illinois schools are being adequately funded.

We know that many Illinois schools have not met the standards and receive additional funding, support and guidance to improve student achievement. Schools that do not meet the progressively increasing state standards face corrective action that includes transfers, supplemental education services vouchers, and even shutting down and reconstituting the building with a new administrator and staff. Illinois schools are not only

challenged by achievement problems but, in 2006, more than 150 school districts were on a watch and warning list that indicates district fiscal operations are in distress.

Many policymakers, academics and pundits argue that Illinois already spends a lot of money on education, and clearly it does. But many people believe money is not the solution to the achievement problem because there is a lack of consistent and compelling evidence linking higher funding with higher student achievement. This lack of relationship may be the result of a host of factors that currently are under study. However, if we are not clear about how to educate our most needy student, it is difficult to know how much it costs. One way to examine funding adequacy is to compare Illinois to other states, particularly its neighbors. *Education Week* publishes an annual report called "Quality Counts," which compares state data on a variety of educational characteristics, indicators and outcomes. Table 1 shows how Illinois compares to surrounding states on per-pupil spending, with adjustments for cost of living, and relative to the national average. In absolute terms, Illinois is behind Michigan and Wisconsin and ahead of Indiana, Iowa and Minnesota. However, because cost of living adjustments (housing, labor and related expenses) differ by state,



Table 1
Per-pupil expenditures comparing Illinois to neighboring states (2002-2003)

	Per-Pupil Expenditure	Adjusted Per-Pupil Expenditure	Percent of Schools Above Adjusted U. S. Average (\$6,786)
Illinois	\$8,287	\$8,030	32.9
Indiana	\$8,057	\$8,620	67.0
Iowa	\$7,574	\$8,586	54.1
Michigan	\$8,781	\$8,646	55.7
Minnesota	\$8,109	\$8,270	45.2
Wisconsin	\$9,004	\$9,414	98.1

Note: Data adapted from Education Week, 2006.



policy analysts examine expenditures by adjusting per-pupil costs and by comparing the percentage of schools that spend more than the national average of \$6,776. These last two comparative measures show that Illinois is far below surrounding states. These data also show that Illinois, despite spending more than \$8,000 per pupil on average, has a lot of schools that spend below the national and regional averages, suggesting a large inequity among Illinois schools.

Sources of School Funding

School districts are funded by a combination of state, local and federal funds. Table 2 shows that Illinois state government contributes about 36 percent of school funding, an amount that has stayed flat or slightly decreased over the past few years. By contrast, communities and the federal government have increased their contributions at twice the state rate in the 2005 and 2006 school years. The net result shows that in 2006, Illinois funded slightly more than 35 percent of a school district's budget with the other 65 percent coming from local and federal government. If you compare these contributions to the six surrounding states, Illinois' state contributions are the lowest, with Michigan and Minnesota contributing the most at 60.1 percent and 69.6 percent respectively. This disparity of contribution no doubt leads to most of the criticism of Illinois' state funding for schools.

²First Class Education. (2007). "Keeping 65 cents in the classroom for teachers and kids." Washington, DC: First Class Education. Retrieved September 26, 2007, from <http://www.firstclasseducation.org>.

How do schools spend their money?

A critical question must be asked as to how Illinois schools spend money and whether expenditures are producing the best results. Critics report frivolous or exorbitant spending for high-priced administrators, too many administrators, lavish athletic facilities and extensive coaching staffs, unused or underutilized technology, and unending legal fees as schools combat a litigious society. However, this list of questionable costs cannot accurately be assessed because of limitations in the way expenditure data is collected and reported. Schools report expenditures to the state and federal governments using four broad categories: instruction, general administration, support services and other resources. We conducted a review of the literature and found very few examples of states or schools with detailed spending reports that would help us understand where money is going and whether it has any impact on student outcomes.

The First Class Education organization promotes the concept that states and school districts should spend 65 percent of all school funding on classroom instruction as defined by the National Center for Educational Statistics.² Only 21 Illinois schools spend more than 60 percent on instruction (Table 3).

Illinois reported spending more on instruction than three of the five comparative states (see Table 4). All those states spend well below 65 percent and all reported decreases or near-zero growth in funding for instruction, with the exception of Minnesota, which reported a 2 percent increase from 2002 to 2004. Most researchers would strongly argue that teaching and learning, which are major parts of the instruction category, are the most critical elements for improving student learning and achievement outcomes. Thus, they would argue, decreased funding over a three-year period is moving in the wrong direction.

Table 2
Average percent increases in Illinois school funding from 2004-2006 by source —federal, state, and local levels and percent of total funding by source.

Funding Sources	2003-2004	2004-2005	2005-2006
State	8% (36%)	-1% (36.3%)	7% (35.3%)
Local	8% (57%)	6% (57.6%)	14% (58.7%)
Federal	8% (6.7%)	5% (6.1%)	14% (6.1%)

**Table 3
Number and percent of Illinois school districts funding instruction with 50 percent or more of their budget.**

% PPE expended on instruction	Number of schools	Percent of schools
50% or more	226	60.0%
55% or greater	77	20.9%
60% or greater	19	14.4%
65% or greater	2	4.7%

Do more affluent schools spend money differently than less affluent schools in Illinois?

To answer this question, we compared school districts at the top and bottom 25 percent of Illinois school funding, ranging from \$7,702 and below to \$15,620 and above. As shown in Table 5, the major differences between the top 25 percent and lowest 25 percent are in the categories of other resources and support services. While instruction and general administration are more than 30 percent higher than the lower quartile, they don't compare in magnitude to the differences for support services (45 percent) and other resources (69 percent). In the table, the category "support services" comprises the money spent for administrative, technical and logistical support to enhance instruction and, to a lesser degree, community services. The "other resources" category includes funding to retire the principals on bonds, debts, community services and non-programmed charges. This suggests that more affluent schools not only spend 30 percent or more on instruction, but spent significantly more money related to enhanced instruction and "bricks and mortar." These data also show the difference between the best- and least-funded schools is twice the level of funding. These differences are most notable in "other resources," "support services" and "instruction," while the fewest differences were found between general administration costs. More information is needed to understand these differences.

**Table 4
Surrounding state comparisons for instructional expenditures 2002-2004.**

Surrounding States	2002	2003	2004	% change 02-04
Illinois	53.9	52.3	52.1	-1.70%
Indiana	62.5	51.1	48.8	-13.70%
Iowa	51.3	53.0	51.8	.05%
Michigan	49.7	50.5	50.6	0.90%
Minnesota	52.8	53.8	54.7	2.00%
Wisconsin	55.4	55.0	55.0	-.04%

Source: Common Core Data Set, National Center for Educational Statistics

**Table 5
Illinois per pupil expenditure (in dollars) categories between top and bottom quartiles**

Expenditure Categories	Bottom Quartile (lower 25% funding)	Top Quartile (upper 25% funding)	Difference between lower and upper expenditures
Instruction	\$4,059	\$6,156	\$2,097 (34%)
General Administration	\$410	\$591	\$181 (31%)
Support Services	\$2,337	\$4,258	\$1,921 (45%)
Other Resources	\$1,322	\$4,240	\$2,918 (69%)
Total Resources	\$7,702	\$15,620	\$7,918 (51%)

Does money matter in academic achievement?

Does money make a difference on school outcomes, and if so, how? This long debated question may be the most frequently asked and most obfuscated in education research. Unfortunately, we have neither the type of data nor the level of detail to unequivocally answer. However, we can look at relationships to provide insight and association between school funding and academic outcomes.

This question regarding school funding and its relationship to a quality education has been vigorously debated since the 1966 Coleman Report,³ which essentially found that family background – not funding – was the major contributor to academic achievement. However, because schools are educating children, not families, they must find ways to provide teaching and learning that complements or supersedes family background. Few would argue that money alone

³ Coleman, J. S., Campbell, C. Q., Hopson, C. F., McPartland, J., Mood, A. M, et al. (1966). *Equality of educational opportunity*. Washington, D.C.: U.S. Office of Education



is the solution to the educational challenges that Illinois faces today. But very few would argue that money doesn't matter at all. We characterize the relationship between funding and school achievement as necessary but not sufficient to ensure academic success, particularly in a world with rapidly expanding knowledge, technology and media that make it more complex for everyone.

We were limited to analyzing Illinois high school spending in relation to student achievement scores as measured by the Prairie State Achievement Exam (PSAE) for Illinois 11th graders. This exam serves as a universal measure and provides scale scores for statistical analysis. It should be noted that these data do not include those who were no longer enrolled at the time the test was given.

We first ran a simple correlation matrix to examine relationships between school funding for more than 400 high schools and their students' PSAE scores. We found small positive relationships between instructional expenditures and PSAE sub-scores – English (.24), Mathematics (.31), Science (.20) and Reading (.20). By contrast, general administration expenditures were negatively related to these sub-scores – English (-.27), Mathematics (-.28), Science (-.28) and Reading (-.27) – suggesting some type of confounded

relationship that needs further investigation. We also found the same pattern of relationships when we controlled for the number of pupils receiving free/reduced lunch, our proxy measure for poverty. Last, we compared the achievement gains over three years as related to levels of funding and types of funding and found no relationships.

We also examined differences between schools that have made positive achievement gains compared to those that have not (Table 6). We examined Illinois high schools and divided them into quartiles. We then compared schools within the top and bottom quartiles in terms of achievement gains over a three-year period. Schools with the lowest achievement gains are larger, have slightly more poor students, and actually spend more money per pupil than schools that made greater gains. Despite spending less money overall (\$334 difference per child), the higher achieving schools increased their spending by more than 6 percent, with the greatest increases in general administration and other expenditures.

Additional comparative analyses for the other PSAE achievement scores, including mathematics, science, English and composition, showed a similar pattern of modest differences in both achievement scores and expenditures, with the exception of the large decrease among the low-gain schools for "other expenses." Finally, these data suggest that schools demonstrating modest academic gains are increasing their spending at a slightly higher rate than schools with decreasing or stagnant funding.

Another way policymakers and academics often examine relationships between school funding and achievement is to identify schools in a 2-by-2 matrix of expenditures and academic performance. Using high school data, we created four distinct categories: a) highest funded/high achieving schools; b) highest funded/low achieving schools; c) lowest funded/high achieving schools; and d) low funded/low achieving schools (see Table 7).

Table 6
Characteristics and expenditures of high schools with highest and lowest achievement gains from 2004-2006

2004-2006 Reading Scores	Lowest Improvement (N=113)	Highest Improvement (N=106)	% change Lowest Scores	% change Highest Scores
No. of Students	1,377	1,018		
% Low income students	35%	29%		
Instruction	\$4,757	\$4,638	5%	5%
General Administration	\$450	\$408	3%	7%
Support Services	\$3,128	\$3,034	9%	7%
Other expenditures	\$1,954	\$1,876	-16%	7%
Total Per Pupil Expenditure	\$10,289	\$9,955	1%	6%
PSAE scores 2004-2006	-06%	8%	-1.1	1.6

Table 7
Cross comparison of high and low funded schools with high and low achievement scores

Upper and Lower Expenditure Quartiles	PSAE Reading Scores	Average number of students	% white	% black	% Limited English proficiency	% Low Income	% State Funding	% Local Funding	% Federal Funding
Low	Low	754	94	1.5	0.7	38.0	54.0	38.0	8.2
Low	High	1,034	96	1.0	0.1	23.0	41.0	54.0	5.2
High	Low	1,039	61	25.0	2.4	41.2	35.1	58.2	6.8
High	High	2,272	83	5.2	2.0	16.0	18.5	78.2	3.3

Our analysis shows that schools with low expenditures and low achievement scores (“you get what you pay for” schools) in reading and math are most likely to be smaller (average 754 students) with a predominately white student population (94 percent), moderate levels of students receiving free and reduced-price lunch (38 percent), and significantly more of their budget coming from state funding (54 percent) than local funding (38 percent). At the other end of the spectrum, schools with high expenditures and high levels of achievement (also “you get what you pay for” schools) are larger schools (average 2,272 students), predominately white (83 percent), with low numbers of students receiving free/reduced lunch (15.5 percent) and significantly higher funding from the local sources (78 percent) than state (19 percent).

Schools that have lower funding but get higher achievement results (high payoff schools) are moderately large, (average 1,039 students), with the largest white population (96 percent), 23 percent receiving free/reduced lunch, and get 54 percent of their funding from the community and 41 percent from the state. These are the best value schools in terms of return on investment, and may be able to shed light on our understanding of what works in some high schools. It should be noted that these schools are as diverse or disadvantaged as the larger Illinois student population. Last, we have a group of schools that have high expenditures and low achievement results (under-performing schools), indicating a low return on investments. These schools are also medium size (average 1,039 students), 61 percent white, 25 percent black, with 2.5 percent limited English proficiency, and the

highest level of low-income students (41 percent). These characteristics may also reflect inadequate funding for the types and needs of students that they serve. State funding accounts for 35 percent of their income, while 58 percent of it comes from their community.

Conclusions and Options

The Illinois Constitution clearly describes the state’s role as the primary guarantor of education funding. This role is no longer true as the state currently funds slightly more than one-third of the educational budget, and the rest comes from local and federal sources. Many policymakers and advocates are calling for Illinois to increase its contribution either through tax increases or a swap that lowers property taxes in exchange for an increase in the state income tax. But how much money is necessary to educate Illinois children? The answer depends upon how we define “educated” (i.e., achievement scores, college admissions, gainfully employed), the types of children we are educating and the location of the school.

The Illinois Learning Standards provide a clear definition of what it means to be educated, which is measured by the Illinois Student Achievement Test (ISAT) in elementary and middle school and the Prairie State Achievement Examination (PSAE) in high school. Although many do not agree with these metrics, they do help us understand more about what it takes to educate all Illinois children. It also is clear that a high concentration of disadvantaged students creates major challenges for schools to meet the Illinois Learning Standards. Although no



Figure 1 Illinois Educational Spending Definitions

General Administration Expenditures

Expenditures related to the activities concerned with establishing and administering policy in connection with operating the local education agency (LEA). Included are Board of Education Services, Executive Administration Services (Office of the Superintendent, etc.), and Special Area Administration Services. (Excludes capital outlay expenditures reported separately.)

Instruction Expenditures

Expenditures related to activities dealing with the teaching of pupils or the interaction between teachers and pupils. Teaching may be provided for pupils in a school classroom or in another location such as a home or hospital and may include other learning activities. It also may be provided through some other approved medium such as television, radio, telephone or correspondence. Included here are the activities of aides or assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instruction process. (Excludes capital outlay expenditures reported separately.)

Other Expenditures

Expenditures related to activities concerned with retiring the principal on bonds, other debts of the LEA, community services, capital outlay, and non-programmed charges.

Support Services Expenditures

Expenditures related to those services which provide administrative, technical and logistical support to facilitate and enhance instruction and to a lesser degree, community services and non-programmed charges. (Excludes general administration activities and capital outlay expenditures that are reported separately.)

(ISBE, Illinois Local Retrieval Network, retrieved September 26, 2007, from <http://www.webprod1.isbe.net/ilearn/ASP/definitions.asp>.)

commitment to meeting Illinois achievement standards should match the zeal communities have for their basketball or football teams heading to state championships or their dance team heading to a national competition.

Additional options for policymakers to discuss:

- 1) Development of a state data system that links and tracks student information, educational experiences, and achievement as they proceed through grades K-12.
- 2) Create financial reporting systems that better detail how spending links to programs and support services, and ultimately academic achievement. This could involve creation of a database that documents educational expenses in detail as they relate to student achievement and outcomes.
- 3) Use the state funding formula to provide greater equity and incentives to ensure students and schools with the highest educational needs receive resources and support to meet the Illinois Learning Standards and other critical outcomes beyond those standards. Identify, test and evaluate cost ranges for educational and support services, and use this information to guide formula and categorical funding.
- 4) Analyze diverse and distinct school districts that are meeting state goals and develop peer networks and Centers of Excellence to share lessons learned with similar schools.
- 5) Experiment with financial and resource incentives to increase the quality of teachers, instruction and assessment systems to monitor educational progress based on school and student needs.⁵

⁴Murname, R.J. (2007). "Improving education of children living in poverty." *Future of Children*, 17: 2, 161-182.

⁵Foley, E. M., Klinge, A., & Reisner, E. R. (2007). *Evaluation of New Century High Schools: Profile of an initiative to create and sustain small, successful high schools*. New York: Policy Studies Associates.

magic solution exists for helping disadvantaged children, research is emerging that indicates smaller schools, rigorous curriculum, high quality teachers and instruction, a supportive learning environment, and ongoing assessment can improve academic outcomes.⁴

Based on the data described here, it is evident that Illinois has major inequities in the funding of schools, particularly when compared to other Midwestern states. It's very likely that increased funding, with support and guidance to improve teachers, instruction and support services, can make an improvement in the quality of learning and instruction and subsequent academic outcomes. The low-performing districts have clear academic expectations as delineated by the Illinois Learning Standards. They now need resources to hire and train quality teachers, effective curriculum and instructional practices, support and assessment systems that will guide learning, and a concerted school-community effort for all students to meet these expectations. The

State Education Responsibilities: What has been the Judicial or Legislative Response?

1970: Section 1 of the education article of the Illinois Constitution provides in part: "The State shall provide for an efficient system of high quality public educational institutions and services." Later in the article, the Constitution says: "The State has the primary responsibility for financing the system of public education."

1973: Illinois Supreme Court, in *Blase v. State*, states: "it cannot be said that the [last] sentence ... [of section 1 of the education article] was intended to impose a specific obligation on the General Assembly. Rather its purpose was to state a commitment, a purpose, a goal."

1996: Illinois Supreme Court, in *Coalition for Adequacy and Fairness in Committee for Educational Rights v. Edgar*, ruled, "that disparities in educational funding resulting from differences in local property wealth do not offend section 1's efficiency requirement." Further into the decision, the Court said "the question of educational quality is inherently one of policy involving philosophical and practical considerations that call for the exercise of legislative and administrative discretion."

94th General Assembly (2005-2006): Sens. Richard J. Winkel, R-Urbana, James Meeks, I-Chicago, and Miguel del Valle, D-Chicago, sponsored House Bill 755. The core education provisions of the bill would have reduced property taxes by a swap, lowering property taxes on which school districts rely and raising income taxes to fund the schools instead. It reduced property taxes used to fund education up to 25 percent and increased the state income tax from 3 percent to 5 percent. The bill would have generated an additional \$7.1 billion for education over four years. House Bill 755 was not passed despite receiving committee approval.

October 17, 2007: House Bill 664 becomes law. It creates the Property Tax Reform and Relief Task Force "to conduct a study of the property tax system in Illinois and investigate methods of reducing the reliance on property taxes and alternative methods of funding." Members not yet appointed as of December 2007.

95th General Assembly (2007-2008): HB/SB 750, proposing tax swap similar to HB755 in the 94th General Assembly, remains pending on the Calendar Order of Second Reading in the Illinois House of Representatives.

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