Understanding The Impact of Illinois’ Evidence-Based Funding Law: An Examination of Spending for The First Three Years

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UNDERSTANDING THE IMPACT OF ILLINOIS’S EVIDENCE-BASED FUNDING LAW: AN EXAMINATION OF SPENDING FOR THE FIRST THREE YEARS

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Northern Illinois University, 2023
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This dissertation comprises an examination of how school districts have allocated the resources they received as a result of the Illinois Evidenced-Based Funding (EBF) for Student Success law. The law was passed in 2017 with the rationale of providing additional resources to school districts based on evidenced-based approaches, with the vast majority of the funds to be allocated to districts in financial need. A brief history of school funding is extrapolated from the literature. An overview of the law and the resources that it brought to districts is then provided, followed by an analysis of how those resources were spent. It was found that, overall, the resources were allocated in ways consistent with the rationale for the law. This study will assist practitioners and legislators in Illinois to evaluate the effectiveness of the law and in other states, who may consider implementing similar legislation.

Keywords: Illinois EBF, Evidence-Based Funding Law, school funding reform
UNDERSTANDING THE IMPACT OF ILLINOIS’S EVIDENCE-BASED FUNDING LAW:
AN EXAMINATION OF SPENDING FOR THE FIRST THREE YEARS

BY

CHRISTOPHER JOHNSON

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IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
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DEPARTMENT OF LEADERSHIP, EDUCATIONAL PSYCHOLOGY AND
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Doctoral Director:
Dr. Benjamin Creed
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Definitions

Evidenced-Based Funding for Student Success Act – The 2017 school finance law that implemented a new funding model for K-12 schools to provide resources to provide an adequate education based on the rationale for the law.

Illinois State Board of Education (ISBE) – The state agency charged with implementing the Illinois School Code and supporting and monitoring school districts.

Horizontal Equity - Horizontal equity in the educational environment refers to providing equivalent opportunities to comparable students. This might include placing two students who have equivalent scores on a placement test in the same class or providing similar bilingual services to a group of students who qualify.

Vertical Equity - Vertical equity means that students with different needs should receive different amounts of resources. The concept also takes into account the unique nature of children and that different groups of students might require different supports or programs in the educational process.
INTRODUCTION

Overview

A substantial body of literature in the education field has shown that resources matter when instructing students, but not all schools have the same resources (Jackson, 2018). Higher operational expenditures can consequently lead to improvement in various academic indicators, high school completion, and admission to post-secondary institutions (Baron, 2022). Although this is widely understood among both academic researchers and policymakers, inequity remains. Funding is uneven and varied across states, and even within states (Baker, 2018). Illinois presents a significant example of this intra-state variance, with per-pupil expenditure near the top of the national average and at the bottom of rankings for fairness, with substantial variance between districts.

The State of Illinois passed and implemented a new education funding law in 2017, known as the Evidence-Based Funding for Student Success Act, to address underinvestment by the state in K-12 education. The rationale for the Illinois EBF model is to improve adequacy and equity and the effective use of resources for school districts in Illinois. This dissertation is an examination of how local education agencies (Illinois school districts) have used the additional funding provided to them under the law during the first three years of its implementation. During this period, the State of Illinois provided an average of $326 million dollars a year (Illinois State Board of Education, 2020). The Act brought more than $350 million in new funding to Illinois school districts during the first school year of its implementation, namely 2017–18. The Illinois
school districts were classified into four tiers, based on the amount of local resources available. Those with the least local resources were classified as Tier 1, and those with the highest amount Tier 4. The law provides that 50% of new funding and 49% of new funding should go to Tier 1 and Tier 2 districts respectively, with the remaining 1% allocated to Tiers 3 and 4 districts.

In 2017–18, the first year the law was implemented, the state had 368 elementary districts, 97 high school districts, and 386 unit districts, resulting in a total of 851 school districts. The schools are assigned to tiers based on their percentage of adequacy: 37% are classified as Tier 1 (entitling them to the largest share of resources), 41% as Tier 2, 6% as Tier 3, and 17% as Tier 4, which receives the smallest share of the resources. The average per-student allocations by tier were as follows: Tier 1 $358, Tier 2 $61, Tier 3 $27, and Tier 4 $1 (Illinois State Board of Education, 2020). This significant range shows how the law focuses the resources on the local education agencies that meet the criteria of needing the most support by adequacy percentage. Each year, the state calculates the funds needed to bring all districts to adequacy. In the first three years of the law, the state only partially funded the needs as defined by the law, and the amount provided each year varied.

The objective of this dissertation is an examination of how the new funds were allocated in order to evaluate the early impacts of EBF on district expenditure patterns. It was found that districts allocated money for EBF-related expenditures at a greater rate than non-EBF-related expenditures, with the clearest patterns being found in the most economically disadvantaged districts, which received 99% of the new funding under the law. This suggests that the law appears to be functioning as intended by providing more resources to those districts most in need
of them. Furthermore, without any incentives or requirements, districts appear to be allocating those dollars to the evidence-based practices which ground the law.

Dissertation Overview and Products

This dissertation is comprised of four primary parts: a literature review, a data and methods section, a summary of findings, and a journal article summarizing the results.

The literature review consists of a brief review of K-12 school funding throughout the history of the country and across the states. Partly because the United States Constitution does not explicitly mention education, the states adopted differing systems of school district organization and funding. The review also includes an overview of the principal-agent theory, an economic theory about how resources provided by the principal (state government) may be used by the agent (school districts) in situations in which requirements or incentives are not provided.

The methodology section consists of a summary of the data available to analyze how funds were allocated. In particular, the Illinois Program Accounting Manual (ISBE, 2018) is described. This manual provides a uniform method for local education agencies to classify and record expenditures, which are audited and submitted to the state on an annual basis. The results from the first three years of the law, namely 2017–18, 2018–19, and 2019–20, were obtained from the Illinois State Board of Education and used for the study. These expenditures were compared with the patterns in the year prior to EBF, namely 2016–17.

Expenditures are classified by object, which is the type of expenditure (salary, benefits, purchases services, etc.), whereas function denotes what the expenditure is for (special
education, social work, library media services, etc.). For purposes of the study, functions that could be closely associated with the rationale for the law (i.e., attendance and social work services, regular programs and guidance services) were considered EBF-related expenditures and other functions were considered non-EBF-related expenditures (i.e., Board of Education Services and executive administration services).

The summary of findings section contains the results of the study. For Tier 1 schools, 69% of the new dollars were allocated to EBF-related functions. The results were similarly positive for Tier 2 schools, with 63% of the new dollars being allocated to EBF-related functions. The results for Tier 3ss and 4 schools, which received minimal funding under the law and experienced typical inflationary increases from local sources, saw 58% and 46% respectively of new funding allocated to EBF-related functions.

The final section is an explanation of why the Journal of School Business Management is an appropriate forum in which to present the results of this study in the form of an article. The publication is focused on practitioners, including chief school business officials and others involved in school finance and resource allocation. The article, included in Appendix A, provides a brief history of the law, policy, and results. It also provides recommendations for both practitioners and policymakers. The limitations of the study are also discussed. Examples of the limitations include focusing solely on how the dollars were spent, without measuring the effectiveness of those expenditures on student outcomes. Finally, the article shares possible future directions to analyze the effectiveness of the law, including analysis of academic performance and a qualitative analysis of how decisions were made about spending new resources in a subset of districts.
LITERATURE REVIEW

Overview

There is an extensive body of literature on school funding structures and how they have evolved throughout the history of the United States. This literature review focuses first on the history and evolution of schools and their funding structures and continues with a review of judicial and legislative changes that have impacted school funding. The historical and national perspective provide a foundation to better understand the evolution of the funding structure in Illinois.

The methods by which schools are funded have evolved since the inception of public education in the United States, largely due to both legislative policy and judicial action. The country has a long history of decentralized public education, with the first taxpayer-funded public school opening in Dorchester, MA, during the colonial period in 1635. The school still operates today. During the colonial period, most schools went up to the eighth grade. Although this period saw a mix of private, tuition-based academies and public schools, all the states had at least some taxpayer-subsidized elementary schools by 1870 (Monroe, 1968). The first public high school opened in Boston in 1821 and public secondary schools outnumbered their private counterparts by the close of the century (Herbst, 1997).

The origins of the education system in the country differ by colony, state, and region, in part because the United States Constitution does not explicitly mention education. The Tenth
Amendment also states that “the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.” This effectively makes education a state issue and many states have adopted models that allow for significant local control (San Antonio Independent School District v. Rodriguez, 1973). The revenue generation (taxation) functions and systems to distribute resources that underpin K-12 public education were substantially developed during the country’s industrial period, from the mid-19th to the mid-20th centuries. This decentralization of both administration and financing is uncommon worldwide. In many countries, there are uniform provincial, state, or national education systems with centralized funding and administrative functions.

The lack of direct comprehensive federal oversight and the decentralized nature of state educational systems allow many decisions related to expenditures to be made at the local level—by elected school boards, their administrations, and the faculty members they employ. Local school boards have the responsibility to assign students to schools by grade and location, to hire and assign faculty and staff, and to determine the compensation of employees. In modern times, “public education investment represents the principal method by which our society attempts to equalize opportunities among children born into different circumstances” (Levin, 1973 p. 149).

Limited federal oversight and resources have also been provided for education, with the establishment of the United States Department of Education. The federal government provides some resources and the oversight of federal laws as they relate to education through the U.S. Department of Education. The department was established in 1867 during the reconstruction period by a Republican-led Congress, which believed strongly in public education and even cited the lack of public schools in the Southern states as a cause of the Civil War (Hedges et al., 2016).
Equity and Equality

The concepts of equality and equity provide rationale for changes to school funding systems. Although they are distinct, the terms are used interchangeably by some. The definition of “equal educational opportunity” has evolved and matured since the development of the first public schools. At first, its focus was on access to schools, then on equal spending per pupil, and then on variable spending per pupil dependent on each one’s unique educational needs (Rossmiller, 1994). The concept can be applied to state funding systems, due to the uneven landscape of educational funding, and even to individual districts within the same state.

Initially, from the 1790s to the mid-19th century, equal educational opportunity was conceptualized as access to schooling at what was known as “a common school.” In 1858, the citizens of Kalamazoo expanded schooling beyond the typical elementary level by using tax money to establish the Kalamazoo Union High School. A group of local citizens objected, arguing that taxpayers’ dollars could be used only to fund primary schools. The outcome was a ruling in 1874 affirming that it was permissible to establish public high schools in the state of Michigan (Rossmiller, 1994). During the 20th century, attention turned to the amount of money spent on each student within a state, and “equity” was defined as spending an equivalent amount across a state. This was measured in terms of the input made (expenditure for each student). The focus became reducing the disparity of expenditure per pupil in each state (Rossmiller, 1994).

The decentralized nature of the United States public education system leads to disparities between the states, and even within many states, in terms of the educational experience of students. Equity in education exists when all students are afforded equal educational opportunities. The concept of equity in education encompasses several factors, including the
distribution of tangible and intangible resources for the benefit of students, how these resources are used, and who the beneficiaries of these resources are (Rossmiller, 1994).

An examination of educational equity includes investigating how gaps can occur, that is, whether they are related to school funding, student outcomes, or processes. Inequities can emerge if there is a systemic flaw that manifests discrimination against one or more groups, as evidenced by either the resources provided to them or their educational outcomes. It can be considered inequitable if resources are tied to socioeconomic status, gender, race, or disability. “Differences in ability, effort, luck, and preferences would create differences in outcomes among individuals, but the common school would assure representative individuals born into any social class would have the same opportunity to achieve status as persons born into other school classes” (Levin, 1973 p. 152). It is not expected that each student will have the same outcome; inherent differences in areas such as ability, luck, effort, and preferences will inevitably lead to differing results. These differences, in turn, lead to the foundation for independent life in adulthood and equal opportunity beyond schooling. If this foundation is set with equal educational opportunities, each child will have equal chances of success as an adult (Levin, 1973).

“Equality,” which is typically used in the discussion of social issues, implies that everyone has the same rights, opportunities, and resources (Hedges et al., 2016). Equality, when accomplished in a school setting, does not guarantee equity. If students are learning remotely and the school provides each student with a laptop, some students might not have an internet connection at home. Equity provides individuals with the resources that fit their circumstances. Schools that focus on equity take into account the unique needs of each student (Hedges et al.,
Educational equity can be evaluated using two frameworks, namely horizontal and vertical equity (Brewer & Picus, 2014).

**Horizontal Equity**

Horizontal equity in the educational environment refers to providing equivalent opportunities to comparable students. This might include placing two students who have equivalent scores on a placement test in the same class or providing similar bilingual services to a group of students who qualify. It is difficult to accomplish this at a schoolwide level because it is premised on the assumption that students are homogenous and come from similar and equivalent backgrounds (Brewer & Picus, 2014). Educational doctoral student Arthur Wise examined the theory of horizontal equity in the 1960s. He noted that the assignment of students based on their physical location led to the equality of the educational opportunities afforded to them due to the reliance on local property taxes. He suggested that it would be appropriate to refer to a standard that allowed varying amounts to be spent for different classifications of students (Ladd & Goertz, 2015).

**Vertical Equity**

Vertical equity means that students with different needs should receive different amounts of resources. The concept also takes into account the unique nature of children and that different groups of students might require different supports or programs in the educational process. The differing needs of students might be varied due to factors such as socioeconomic status, limited English proficiency, or disabilities. Significant additional resources might be needed to provide these students with equitable educational opportunities. It is permissible under an educational equity framework to provide additional resources to these students. Vertical equity also allows
for differences in student achievement that emerge related to the individual nature of each child, which is generally accepted (Brewer & Picus, 2014). Vertical equity is of particular concern to students who are disadvantaged socioeconomically based on factors beyond their control, who then need supplemental programs and resources adapted to their specific needs. This provides them with the same opportunity to succeed as other children (Ladd & Goertz, 2015).

A wide body of educational research has shown that schools in the United States have broad inequities in current times. These inequities are demonstrated by achievement gaps between ethnic groups and between students from differing socioeconomic backgrounds and in different geographical areas.

**Equity and Adequacy as Applied to EBF**

The intent of the Evidenced-Based Funding for Student Success law is to bring school districts to an adequate funding level. An adequate funding level is derived by the rationale for the law, which details the appropriate ratios and dollar allocations to provide adequate instruction. A formula is then applied, taking into account local capacity. The law seeks to provide all districts with the funds needed to provide an adequate education, although the law is not fully funded, leaving the true intent unrealized. The law has elements of both horizontal and vertical equity. It seeks to bring all districts up to a uniform level of adequacy (consistent with horizontal equity) while the resources they provide are allocated based on the available local capacity (consistent with vertical equity); (Illinois State Board of Education, 2018).

**Equal Opportunity and Wealth Neutrality**

Equal opportunity relates to whether the resources available to students are linked to factors that are considered illegitimate, such as socioeconomic status. Many school districts are
funded, at least in part, by property taxes, placing students at a disadvantage on a macro, statewide level from an opportunity perspective, as areas with less property wealth have fewer resources available for education (Levin, 1971).

The standard for equal opportunity and wealth neutrality is high, rooted in David Kirp’s advocacy for effective equality. He argues, in part, that “reconsideration of effective equality in light of recent and extensive education research studies ... suggests that the state’s obligation to provide an equal educational opportunity is satisfied only if each child, no matter what his social background, has an equal chance for an educational outcome, regardless of disparities of cost or effort that the state is obliged to make in order to overcome such differences” (Ladd & Goertz, 2015 p. 636). He pushed for a two-pronged approach, namely integration and allocating resources aimed at effective equalization. Integration would allow students with fewer means to integrate with their wealthier counterparts in the same schools. When this could not be achieved, he advocated providing more resources to schools that served children from less affluent areas.

Wealth neutrality is central to many court challenges related to educational equity. The notion was originally developed by Jack Coons, William Clune, and Stephen Sugarman in their work, *Private Wealth and Public Education* (1970). In terms of this concept, there should be no overall association between the resources allocated to a child’s education and where he or she lives. The concept is focused on dollars and is prohibitive of some actions by the state, such as providing more dollars to wealthy areas. It does allow for variation between states, but not within the state as a whole. It reduces the ambiguity that might exist in the concept of equal opportunity as defined by Kirp (Ladd & Goertz, 2015). If the wealth neutrality concept is applied, taxpayers
(and consequently students) should be treated equally in terms of the benefits they receive (Brewer & Picus, 2014).

The concepts of equal opportunity and wealth neutrality have played a key role in litigation centered on educational funding. In 1971, a landmark Supreme Court decision in California (Serrano v. Priest, 1971) was that the state’s system of finding education “with its substantial dependence on local property taxes and resultant wide disparities in school revenue, violates the equal protection clause of the Fourteenth Amendment ... because it makes the quality of a child’s education a function of the wealth of his parents and neighbors” (Levin, 1973 p. 149), leading to a focus on horizontal equity. Following the California ruling, state courts in Minnesota and New Jersey, as well as a federal court in Texas, came to similar conclusions (Levin, 1973).

California subsequently passed Proposition 13 in 1978, limiting property taxes that were available to the state, including for education (Rose et al., 2010). In 1988, the voters also passed Proposition 98, which sought to set a minimum percentage of the state budget for primary and secondary education (Manwaring, 2005). The effect of these changes, which were intended to facilitate equality, was that resources were reduced for some and additional resources were provided for others. Wealthy districts, in particular, had less available to them than in the past. The state continued its focus on equity by subsequently passing dozens of individual categorical programs, availing funds for various student populations in particular districts. California still has uneven outcomes related to student achievement and ranks at the mid-point of per-pupil spending in the country (Rose et al., 2010).
There have been several court cases in Illinois which have shaped K-12 funding and influenced creation of the Evidence-Based Funding law. In 1995, a group of more than 60 Illinois school districts, operating under the name “Committee for Educational Rights,” filed a lawsuit contending that the Illinois school funding system was unconstitutional because significant differences occur between districts due to the reliance on local property taxes, and the general state aid that is meant to supplement those funds based on need to create a foundational level of funding is woefully inadequate. The case was dismissed by the trial court in part for not stating a cause of action and was ultimately appealed unsuccessfully to the Illinois Supreme Court, where the decisions of the lower courts were upheld in 1996. This in turn led to the continuation of the existing funding system, which did not substantially change until the passage of the EBF law in 2017 (Committee for Educational Rights vs. Edgar, 1996).

In 2008, two Illinois chapters of the Urban League, an organization with an illustrious history of representing the interests of minority residents, filed a lawsuit challenging the allocation of state funding. The lawsuit challenged the state practice of prorating disbursements, which occurs when the state cannot meet its funding obligations. In those cases, the state would apply a uniform proration percentage to all disbursements, regardless of the financial needs of the district. This created an inequitable situation, as the funding was partially allocated based on factors related to need, and the application of a uniform reduction percentage negated the original law. The state agreed to prorate future disbursements, and the case was settled in 2017 (Chicago Urban League, 2017).

The allocation of resources and its connection to both local control and disparate state funding systems have also been litigated, with lawsuits in 45 of the 50 states through 2012 (Ladd
In recent years, there has been significant legislation and litigation related to school funding centered on issues related to equity and adequacy, with substantial changes occurring in the last 25 years of the 20th century (Roellke et al., 2004). This includes litigation that sought to bring equitable funding to all students in a particular state and legislation focused on providing an adequate education, such as was recently passed in Illinois (Pijanowski, 2017). The Illinois law defines “adequacy” using research on effective educational strategies, programs, and services and by calculating the cost to provide these services on a per-district basis (Illinois State Board of Education, 2018). There are numerous moral dilemmas related to school funding, including those involving the origination of revenue streams for schools. Origination is described as the first of three levels of funding, which is followed by disposition and utilization.

Disposition centers on how the dollars are used to benefit schools and individual students. Utilization refers to how the dollars are used and can include issues related to how budgets function, such as the “use it or lose it” approach, with unspent dollars not being made available in the subsequent annual budget cycle (Monk, 1997).

The origination level of funding involves how the money is allocated to school districts by various entities and individuals and includes several components that constitute a moral dilemma, including the “incompatible approaches to the division of educational resources and a myriad of dilemmas that present themselves at increasingly micro levels of educational delivery and across a variety of fiscal and political climates” (Pijanowski, 2017, p. 2).

Inequities and dilemmas in funding origination can take several forms, including taxpayer equity, sin money, and children as revenue sources. Advocates of taxpayer equity present two key arguments: “People are more or less entitled to keep what they earn and people are entitled
to a fair opportunity to succeed on their own merit” (Pijanowski, 2017 p. 3). A dichotomy exists because society balances the right of families to spend their financial resources on their own children with the limits of that right, which pits communities who seek to protect and control their resources against allowing merit, rather than wealth, to be the primary driver in determining a child’s access to opportunity (Pijanowski, 2017). This can lead to difficulty in making moral decisions because these two assertions compete and can be complicated by the introduction of additional revenue streams, such as the Texas Robin Hood tax plan and the use of regional tax plans (Pijanowski, 2017).

The concept of sin money might also be a factor in the origination discussion, with the term “defined revenue” derived from activities that might be discouraged by society. Lawmakers or individual districts must then decide whether the money should be raised from alcohol, gambling, or taxes through sumptuary taxes (sin taxes). The dilemma occurs because politicians debate the benefits of implicitly encouraging the illicit activity for the furtherance of the broader public good (Pijanowski, 2017). In accepting these funds, schools must decide whether the source of funds implicitly or explicitly encourages behavior that is discouraged or prohibited by students and create conditions that are counter to the mission of the school or well-being of the students (Pijanowski, 2017, p.4).

Although smaller in scale to the previous two issues, ethical issues also emerge when using children directly as fundraisers to make up for shortfalls in school budgets or to provide for supplementary supplies or services. It is often easy for administrators to implement these programs without considering ethical or moral dilemmas. Two primary dilemmas might occur, namely when students are placed in a position of responsibility to generate the revenue for core
curricular programs and when the act of fundraising compromises the school curriculum. Examples include selling nutritionally unhealthy snacks or placing adverts on school buses, and websites, and on publications (Pijanowski, 2017).

**Evolution of Funding Through Litigation**

Periodically, the means of school funding allocations are adjusted, with changes occurring through legislation or litigation. A recent major change in school funding occurred in the State of New York in the case *Campaign for Fiscal Equality vs. State of New York* (Rebell et al., 2016). The plaintiffs in this 13-year court case, which was resolved in 2006, sought to increase the amount of state funding provided to all schools in accordance with state-based equity. The principle driving the case was to provide “the opportunity for a sound basic education” for students in the state (Rebell et al., 2016 p. 4). The New York Court of Appeals, which functions as the state’s highest court, found that over 1.1 million students were being denied the right to a sound basic education as required by the state constitution and ordered that the state undertake significant reforms. The court further found that the opportunity must be guaranteed to all students in the state. They defined a sound basic education as “consisting of knowledge and skills students need to be prepared for capable civic participation and competitive employment” through a “meaningful high school education” (Rebell et al., 2016, p. 7).

While the court ultimately ruled that more resources should be allocated to education, it left it to the legislature to develop a mechanism to raise revenue and implement the reforms. The legislature subsequently passed the Education Budget and Reform Act, which specified a total funding increase of $5.4 billion for New York City and $4 billion for other areas. It combined 30 separate funding streams into a base allocation that was then enhanced with new revenue. A
“Contract for Excellence” was also created, which defined how the money should be used. The changes were then phased in over four years (Rebbell et al., 2016).

**Current State of Education Funding**

The evolution of the historical funding structures implemented through legislation and judicial rulings at the state level has established a system to fund education today. The current state of education funding shows that in 2015–16, $678.4 billion in revenue was used for public and secondary elementary education across all states and the District of Columbia. On average, across the country, 47% of education funding was provided by state governments ($318.6 billion), local governments provided 44.8% ($303.8 billion), and the federal government funded 8.3% ($56.3 billion), according to a Congressional Research Service study (Skinner, 2019).

Over recent decades, states have increased their share of education funding on average. Overall state funding rose from 39.1% in 1965–66 to the current level of 47% in 2015–16. During the same period, resources provided by local governments have decreased from 53% to 44.8%. The share provided by the federal government has remained under 10%, at 7.9% in 1965–66 and 8.3% today (Skinner, 2019).

The primary component of local revenue continues to be taxes levied on real property, which in 2016 comprised 72% of local revenue. This includes residences and commercial buildings or land. Other local revenue is derived from sales tax (17.4%), individual and corporate income taxes (6%), and motor vehicle and other taxes (4.6%). The revenue from the state comes from a variety of sources. These include personal and corporate income taxes, retail sales taxes, and excise taxes, which include those for tobacco, alcohol, and the lottery (Skinner, 2019). There
is significant variability in the revenue allocations by state. Illinois had the lowest share of state revenue prior to the evidenced-based funding formula, at 24.1%, and the states of Hawaii and Vermont had the greatest, at approximately 90% (Skinner, 2019).

A primary goal of most state funding systems is to provide equalization in the resources for public elementary and secondary schools within each state. This concept can also apply to the authority granted to raise funds locally. These funds are typically provided on a per-pupil basis and both the demographics of the local community and the students they serve, but the ability of the local education agency (LEA) to raise their own funds might also be taken into account (Skinner, 2019).

State and federal funds received by LEAs are combined with local funds, raised from property taxes and other sources, and are used to provide educational services to schools within the LEAs’ jurisdictions, which are typically based on geographical boundaries. Subsequently, the LEAs establish allocations for each school under the direction of centralized staff at the LEA level. These LEAs assign resources to each school, (including facilities, other capital, and instructional equipment), and personnel resources, (such as teachers, support staff, and administrators). In recent years, there has been a shift to apply a weighted student funding concept based on demographics and the needs of individual schools within districts, which is generally a decision of the LEA rather than the state (Skinner, 2019).

Another recent development is the reporting of school-level finance data for state and federal purposes. These data are required to be reported on a school level by the federal Every Student Succeeds Act. They are available for the school years 2018–19 and 2019–20 and will
continue to be reported on an ongoing basis. This data provides the public, researchers, and other interested parties with additional insight into how the resources provided by federal, state, and local governments are used to achieve the educational mission at the LEA and individual school levels (Skinner, 2019). There are several ways to assess the abovementioned data, but the one chosen for this study is underpinned by principal-agent theory.

**Principal-Agent Theory and How New Resources May Be Allocated**

The principal-agent theory was originally developed by Michael C. Jensen and William Meckling. It is a type of rational-choice modeling that provides a flexible framework for modeling a wide array of variations in institutional arrangements (Gailmard, 2019). The principal seeks to execute policy or provide resources for a specific purpose for their agent. The agent can make their own decisions, which might or might not be in alignment with that of the principal. The agent might make a decision that they believe is in their best interest, which might be contrary to the intent of the principal, who is powerless to stop it. The principal uses available actions and incentives to encourage the agent to make the decision that the principal prefers (Eisenhardt, 1989).

The principal might use an incentive system to motivate the agent to take the desired action. The structuring and planning of incentives for the agent is a key part of principal-agent theory. The principal’s decisions in the structuring of the incentives for the agent become a contract between the entities (Gailmard, 2019). This incentive system can take various forms and from various applications of the theory, such as a financial incentives in the form of a bonus payment. If an arrangement is structured so that the principal is unrestricted in the type of contract they may choose to offer an agent, the principal can often incentivize the agent to make
the type of choice they desire. This alignment is referred to as “incentive compatibility” (Gailmard, 2019).

The use of incentive compatibility can impose constraints on the principal. The principal must decide if the cost of an improved decision by the agent is worth the incentives to induce that decision. If the consequences of the agent’s poor performance are limited, incentive compatibility constraints typically mean that the principal will generally not be able to motivate the agent to take the desired course of action. This can occur even if the agent is able to take the principal’s preferred course of action. The concept of agency loss also applies. This occurs when there is a difference in action from what the principal prefers for their agent and the action that the principal would take if they could. This can occur when the agent has flexibility to pursue their own interests (Gailmard, 2019).

The concept of monitoring can work concurrently with incentives. Monitoring the actions of the agents can determine if they are acting in the manner desired by the principal. If there are incentives, monitoring can inform the distribution of those incentives. Monitoring carries a cost to the principal because structures must be developed to facilitate the monitoring, which can consume the resources of the principal (Gailmard, 2019).

According to the theory, two problems might develop in agency relationships. One is an agency problem, which occurs when “the desires or goals of the principal and agent conflict” and “it is difficult or expensive for the principal to verify what the agent is actually doing” (Eisenhardt, 1989, p. 58). This might occur when funds are provided for a given purpose by the
principal and there are no guidelines on how they should be spent and there is no reporting structure to monitor the spending.

Another situation that might occur involves risk sharing. This problem can arise when the principal and the agent prefer different actions or paths due to differing risk tolerances. The theory can be used to assist in the development of contracts that address these issues, which take into account assumptions that apply to people or organizations, including self-interest, bounded rationality, and risk aversion. This can then be used to define a contract structure, such as a behavior-oriented contract that defines specific actions that the parties can or cannot take or an outcome-oriented contract, the focus of which is on measurable outcomes (Eisenhardt, 1989).

There are many examples of principal-agent relationships in school settings. One is the relationship between citizens, as principals, who establish contracts with their state government to provide educational services, or with the citizens, parents and taxpayers and the school district in which they reside. There is also a state-school district relationship, with the state acting as principal for the school districts. Yet a third example is between the individual school district as principal and the schools within the district that act as agents (Ferris, 1992).

In the case of funding, the principal-agent theory can be applied to public education in the context of funding systems. These relationships could include funds provided by states to individual school districts within their boundaries, funds provided by the federal government to states and local school districts, and funds provided by the local school system to individual schools.
In the United States’ state-based education system, each state has the responsibility to provide an education to school-aged children, as noted above. The state government typically acts as the principal and the school district acts as the agent. The state as principal develops laws and guidelines for its agents, the school districts, and provides resources for the districts to accomplish the goals of the principal.

The principal-agent analysis would likely differ for each state based on its unique education funding characteristics, as determined by state law or judicial decision. There are typically five overall classifications of allotments by states for local education agency funding. These are foundation programs, full state funding programs, flat grants, district power equalizing, and categorical grants (Skinner, 2019).

Some states have more robust education funding laws and accountability structures, with prescriptive directives about how funds can be expended. The state or state education agency, acting as the principal, can expect compliance in these circumstances because they are incentivizing and monitoring the actions of the agent. If the school district, acting as the agent, does not meet these requirements, it would run the risk of losing important funding.

This scenario could exist for the entirety of funds provided by the state, or the funds could be categorized using one overall classification, with some provided by the principal for specific purposes that are incentivized and monitored and others that are provided for general purposes. Other states might have systems that have less structure, thereby creating a system where the spending actions of the agent do not correspond with the intent of the principal. These
states do not have a robust incentive or monitoring system for all or some of the funds. The methods Illinois uses to monitor expenditures are discussed in a subsequent section.

Funds provided by the federal government might be less susceptible to a misalignment between the principal (the United States government) and the agent (the local school district or the state) because the federal government provides limited education funding for prescribed purposes. This includes funds authorized under the Individuals with Disabilities Education Act of 1990, which are used solely for the purpose of providing extraordinary education costs for qualifying students. The federal government has a monitoring system in place for these expenditures, which are coordinated by state education agencies (U.S. Department of Education, 2021).

Application of Principal-agent Theory to the Illinois EBF Law

If one analyzes the Illinois EBF law through the lens of the principal-agent framework, the state, through the Illinois State Board of Education, plays the role of the principal. The agents in this analysis are the local education agencies, which are the approximately 850 public school districts and joint agreements serving public school students across the state of Illinois. The rationale for passing the law was clear and that information was articulated to the school districts by the state board through written communications and presentations. The goals of the law, while laudable, to increase school funding include vague terms such as “adequacy,” “efficient”, and “effective”, which are difficult to define and therefore measure. In any case, no measurement system was included in the legislation as implemented.
The principal, the Illinois State Board of Education, is providing additional funds to the local education agencies, largely without any mechanism to ensure that the funds are used for their intended purpose. This is referred to as “the contract structure” in principal-agent theory. The contract structure in the law does not specify any mechanisms to enforce compliance by the agent. The agent is free to use the funds for the intended purpose of the law or may use them for other expenditures.

A weak monitoring structure has been implemented by the principal that does not provide a robust mechanism to monitor behavior related to performance or to achieving specific intended outcomes. Each year, districts must submit a report indicating how they used the money they received to accomplish the goals of the law. These data are self-reported by the school districts in a standardized form created by the state. Districts are presented with their total allocation and then asked to explain how the funds were used in relation to categories aligning with the law (Illinois State Board of Education, 2019). The reporting mechanism is not directly connected to the official state-created school district budget form and there is no requirement for supporting documentation from the school district to audit the responses.

The principal-agent theory predicts that the agents, that is, the local school districts, might act in a way that was not originally intended by the principal. In a broad sense, it might be plausible to argue that the principal has a broad outcome-oriented contract in place with the agents. This could be a shared understanding between the principal and the agents related to the goal of providing a free and appropriate education, with a focus on equity and student achievement based on longstanding law and policy, and the state’s role in supporting and monitoring school districts. There might also be a shared understanding of the goals of federal
legislation, including the Every Student Succeeds Act, but there is no direct connection to the EBF law.

The principal in the principal-agent problem is the State of Illinois, represented by the Illinois State Board of Education. The school district, the receiver of the funds, is the agent. The change condition is the passing of the EBF law. There are two possible outcomes, the first of which is what is intended by the principal, the allocation of new resources by the agent to advance the stated goals of the law.

The other possible outcome, which principal-agent theory suggests is likely when there is a loose incentive or connection, is that the agent acts independently and does not use the funds for the intended purpose. These funds might be used for other district expenditures not explicitly enumerated by the law’s creators, which are detailed below. There might be differences in goals, values and perceptions among the districts that are not aligned to those of the Illinois State Board of Education.

Studies, such as one by David Aresen and Yongmei Ni in 2012 on the impact of charter school competition on how schools allocate their resources, have shown that it can be difficult to motivate schools to make changes based on external pressure with no incentive structure. They found that even with direct competition from charter schools, which could take both their financial resources and students from public schools, the public schools were reluctant to implement resource allocation changes that would impact student achievement (Arsen & Ni, 2012).
Bruce Baker, who conducted a review of studies and literature, reported that there had historically been little or no correlation between state policies such as ones that provide funding and internal expenditure decisions at local school districts (Baker, 2003). The Arsen and Ni study and the Baker research review might suggest that the outcome suggested by the principal-agent theory will apply to how funds related to the EBF law are used in Illinois, with the law providing little motivation or incentive for districts to fulfill the principal’s intent. Principal-agent theory suggests that districts will do what makes sense for them to do as agents, which might not align with the principal because they have different incentives, motivations, and perspectives. Another consideration is that school spending is inherently inflexible. Budgets are developed on an annual basis. Faculty and students are also assigned to classes annually. A study by Bifulco and Reback (2014) shows that certain expenditures (capital, for example) are not flexible, even when an entity is losing revenue.

Although the principal-agent theory suggests that school districts might have an impact independently, numerous studies have shown that resources matter in improving educational outcomes for students, but not all schools have the same resources (Jackson, 2018). Higher operational expenditures can subsequently lead to improvement in various academic indicators, high school completion, and advancement to post-secondary institutions (Baron, 2022).

Stephen Neely and Jeffrey Diebold found in a 2016 study that increased expenditure might have an impact on educational outcomes. Rather than focusing on overall expenditure increases, these researchers took a more nuanced approach and measured the effect of instructional-related expenditure functions in districts. They demonstrated that, although the effect size was small, there was a measurable increase in achievement (Neely & Diebold, 2016).
Baker also reported a compelling result in 2017. He found that when districts received a greater share of state aid, it was generally associated with a higher share going to core instruction. Furthermore, he found that higher state aid led to lower administrative expenditure (Baker, 2003).

Another possible outcome is that the agent might even seek to use the funds to reduce their own local property tax commitment to education, thereby maintaining a funding level that is similar to the one they had before the passing of the law, rather than using it for the intended purpose of increasing total available funds. The EBF law does not provide any requirement that districts maintain their local property tax commitment at the same level, and it might, in turn, be reduced.

Assumptions About the Use of the New Resources

The principal-agent theory suggests that local education agencies might not use the funds for their intended purpose, but rather for other priorities. These allocation decisions made by the agent might vary based on the structure of the district, its performance level, demographics, and the amount of funds it receives.

The structure of the district might play a role in how the funds are used. The state of Illinois has a somewhat unique structure, with a large number of school districts divided into elementary, high school, and unit districts. There are examples of each of the four tier classifications in each type of school district. The articulated rationale for the law, documented elsewhere in this dissertation, constitutes a case for both providing and prioritizing the allocation of the funds through studies that provide ideal resource allocations for prototypical schools at the
elementary, middle and high school levels. The rationale does not explicitly define that funds should be used proportionally by grade or that certain types of schools, such as elementary schools, should be prioritized. From a principal-agent perspective, this means that there might not be a measurable impact by district structure.

The tier of the district might also have an impact on how the funds are spent by the agent to meet the stated goals of the principal. The law allocates significantly different funding amounts based on tier. A Tier 1 school district with 10,000 students could receive up to $8,210,000 in new funding, if the law is fully funded. As a percentage of total budget, this is likely to be a meaningful increase for this hypothetical district. The district would likely be aware of the rationale for providing the funds and there would almost certainly be significant discussion at the administrative and Board of Education level about how to allocate them, which would include consideration of the information provided by the principal regarding the intended purpose. In this scenario, there might be some motivation by the principal to accomplish the goals of the agent due to the number of resources being provided and the process the district will need to establish to make allocation decisions.

Another scenario involves a Tier 4 district with 10,000 students. This district would receive a maximum of $20,000 in new funds. This would be unlikely to be sufficient funds to make a meaningful impact based on the stated goals of the law. Furthermore, it is unlikely that this allocation would even be discussed administratively or with the school board because it constitutes a relatively de minimis part of the overall district budget. It is also likely that the needs in this hypothetical district will be less acute than those in the Tier 1, 2, or 3 districts based on the demographic and local resource factors that resulted in the initial classification as a Tier 4
school. In this case, there might be little to no motivation for the agent to acquiesce to the stated goals of the principal.

One factor that might lead to alignment between the purpose of funding, as delineated by the principal, and the actions of the agent is the alignment or creation of local education agency strategic plans. Strategic planning is an established practice in school districts to develop and implement change for the benefit of the students and to make long-lasting change over the course of years.

If a district receives additional funds and undertakes a strategic planning process that is influenced by the rationale for the law, it might build a plan to allocate the funds that is in alignment with the stated goals of the principal. It might also create its own internal accountability structure to monitor the achievement of these goals, which would essentially allow the school district to function as a proxy for the principal in monitoring the usage of these funds. There is also a possible scenario in which strategic plans that are already in place align with the broad goals of the principal. The funds would then be used by the agent to accomplish this purpose. Additionally, demographics might play a role in the strategic planning process or another principal-agent relationship between local taxpayers/parents and school districts. Districts with poorly performing schools might not have current strategic plans or even adequate voter oversight because the communities focus more on basic and pressing needs related to housing, food, and healthcare. This analysis of strategic plans is outside the scope of this study.

School-based decision making might also have an impact. In the principal-agent scenario, the school might also act as an agent in concert with or in a contradictory fashion to that of the
district, which serves the role of the primary agent. This could result in an agency problem. A study in which school-based decision making was examined demonstrated that principal-agent challenges can occur between the district, acting as the principal, and the school, acting as the agent. The study recommends that districts develop a system of incentives and regulations for their agents, the local schools, as additional independence is granted. This can potentially be addressed by developing a contractual framework that allows the principal to pursue the objective of increased educational attainment while utilizing localized information from the agent about the specifics related to the school’s climate and environment (Ferris, 1992). This school-based decision-making might also be impacted by the expertise of the administrative leadership in the district and the overall board-superintendent relationship. Angela Spain found that this played a significant role in how dollars were spent by local districts after a deregulation initiative in California in 2009 (Spain, 2016).

Finally, the issue of the lack of meaningful reporting requirements for school districts and the language used in the law, such as “adequate,” “efficient,” and “effective,” might continue to play a role in the decisions made by the school district, acting as the principal. Decisions could be made about the expenditure of funds that are not based on research or best practices but might be directed to areas such as administrative pay. In short, the principal-agent theory suggests that the districts will act independently and make choices that are different from what the agent intended. However, the manner in which the EBF law and how districts will implement it can also be viewed through the lens of another theory, namely sensemaking, which relies on how leaders in individual school districts make sense of and interpret the overall policy.
Sensemaking

Sensemaking “refers to how we structure the unknown so as to be able to act on it … it involves coming up with a plausible understanding – a map – of a shifting world” (Snook, Nohria, & Khurana, 2012, p. 152). Sensemaking can provide an explanation of why districts and their leaders take actions that are either in alignment or not in alignment with the goals and rationale that inform the law.

The law has an overall goal of adequacy. The intention is to accomplish it by supplementing existing district and state resources. Districts have some adequacy resources within their control, primarily the ability to raise or lower their local taxes. If local resources are decreased by the actions of the local school board, it might be an indication that the district does not put a significant value on adequacy.

The rationale that underpins the policy is that local districts will make effective and efficient use of the resources to accomplish the law’s purpose. It might be possible to examine how districts change their spending priorities and patterns to support the uses of their resources and to further delineate these patterns based on other metrics. These could include the funding tier assigned to the district, the populations they serve, and the type of district (unit, elementary or high school).

A sensemaking approach would assume that since the main tool the State has is to clearly articulate and persuade districts about the intent of the law, the implementation of the law might be based on the school boards’ and administrators’ understanding of the law’s purpose.
Summary

The evolution of school district structure funding throughout the country’s history and the structure in which Illinois school districts are organized provides a unique opportunity to study the impact of new school funding under the Illinois EBF for Student Success Act. Although some school funding system changes are a result of legislative action, this change in the Illinois funding system originated through legislative action, informed by a consortium that included representation from school district professional organizations, administrators, and other practitioners.

The new Illinois law marks a major increase in state investment in education, bringing new resources to those districts most in need while allowing other districts to maintain their funding. The theory suggests that the loose incentive structure between the principal and the agent might lead to the agents making decisions about how to allocate the new funds that are not in line with the intent of the principal. It is an opportune time to analyze these decisions related to allocation because understanding how resources have been allocated might inform future legislative action related to funding levels.
Problem Statement

Districts have now completed three full school years (2017-18, 2018-19, and 2019-20) with the new evidence-based tier funding. The impact of that additional funding is not yet known to school districts. Specifically, it is not known how spending patterns have changed in the districts that received the funding or what functions of their respective budgets have seen larger than typical increases in spending. While the intent of the law was to provide funds that could be used to support the research-based rationale for additional funding, actual spending patterns might not match the intent.

Research Aim

The purpose of the study is to understand whether the funds allocated by the state through the EBF law to local school districts were used for their intended purpose.

Research Questions

In light of the above, the following questions were formulated for this study. The following questions will be analyzed in this study:

1. **What were the overall changes in spending pre- and post-EBF implementation?**
   a. How did overall spending change from fiscal year (FY) 2017 to FY 2020?
   b. What changes to spending on EBF-related functions occurred after EBF implementation?

2. **What variation was there between the school tiers in terms of spending, particularly in EBF-related functions before and after EBF implementation?**
a. How did the districts allocate their new dollars in Tier 1 schools?

b. How did the districts allocate their new dollars in Tier 2 schools?

c. How did the districts allocate their new dollars in Tier 3 schools?

d. How did the districts allocate their new dollars in Tier 4 schools?

e. How did overall spending increase for EBF-related functions in Tier 1 schools (those that received the most significant amount of additional funds) compared to Tier 4 schools (those that essentially received no funds) for FY 2017 to FY 2020?

Conceptual Framework

The conceptual framework for this study relates to the process of providing new funds to school districts and the intended outcome of those new funds. School district revenue typically originates from four sources in Illinois: local property taxes as levied by the school districts; other local sources, such as fees and rental income; the federal government, including some funds for special education; and the state government, including the previously allocated grants and general state aid, which is now included in EBF (Illinois State Board of Education, 2019).

The change occurred in the state government portion of the funding with the addition of the EBF tier dollars. The expected outcome of the law is that spending on EBF-related areas will increase, with a focus on instruction and student support.

The research questions for this study were formulated to understand how the new funds provided by the EBF law were being used by local education agencies to meet the stated purpose of the legislation. Based on national data, it is clear that Illinois ranks at the bottom on state funding for equity-related measures and that its school districts will be likely to quickly utilize the funds provided to them. The questions were answered by means of an analysis of
standardized, publicly available education spending data prepared by each local education agency and maintained in a repository by the Illinois State Board of Education.

The Illinois School Code, as detailed in Section 2-3.27, directs the Illinois State Board of Education to formulate and approve forms, procedures, and regulations for the accounting and budgeting of elementary and secondary school districts in the state. In turn, the Illinois Program Accounting Manual for Local Education Agencies has been created and is maintained to fulfill this requirement (Illinois State Board of Education, 1980).

The manual requires districts to use a fund-accounting system with function and object coding for each expenditure. A fund is a self-balancing set of accounts organized for a specific purpose. Typically, districts use eight funds, including Education, Operations and Maintenance, Debt Service, Transportation, and Capital Projects, along with several others. Each year, every Board of Education must adopt a budget with projected revenue and expenditures for each fund. The budget must list expenditures by function and object, using standardized account codes. A function dictates what the expenditure is for, such as summer school, whereas an object details what the expenditure is, such as faculty salary (Illinois State Board of Education, 1980). The focus of this study is on changes in functional-level expenditures.

A function is “the action or purpose for which a person or thing is used or exists … functions include the activities or actions which are performed to accomplish the objective of the enterprise” (Illinois State Board of Ed, 1980, p. 5). The manual specifies that functions are grouped into six broad areas: Instruction, Support Services, Community Services, Nonprogrammed Charges, Debt Services, and Provision for Contingencies. Each of these
functions is then grouped into sub functions for additional specificity and “grouped according to
the principle that the activities should be combinable, comparable, relatable, and mutually

Illinois school districts use the manual to prepare a budget using a standardized budgeting
form provided by the Illinois State Board of Education. The Illinois school district fiscal year is
set from July 1–June 30 and districts are required to prepare and adopt a budget by September
30th of each fiscal year (Illinois State Board of Education, 2020). Districts must then track
revenue and expenditures using a general ledger system of their choosing. At the conclusion of
each fiscal year, each district must complete an annual financial report in collaboration with their
auditors (Illinois State Board of Education, 2020). This audited report reflects the actual revenue
and expenditures for the preceding fiscal year using the format prescribed in the Illinois Program
Accounting Manual. This includes reporting expenditures in the function/object classification
system. The completed reports are due to the Illinois State Board of Education by November 30th
after the conclusion of the previous fiscal year. The Illinois State Board of Education maintains a
repository of these reports for all school districts (Illinois State Board of Education, 2020).

**Sampling**

This study was conducted using publicly available Illinois school finance data in
individual school district annual financial reports from the 2016-17, 2017-18, 2018-19, and
2019-20 school years. The data was collected from Annual Financial Reports submitted to the
Illinois State Board of Education (Illinois State Board of Education, 2020). The reports are
stored in a repository accessible to the public. Data was compiled for school year 2016–17 (the
year before the law went into effect) and school year 2019–20 (the third year of the law’s
implementation). The sample included most Illinois districts, with some limited exclusions. It was possible to sample most school districts because their data was available in a standardized format and those data were easily loaded into software to conduct the analysis.

During this time period, there were 851 districts in Illinois in the following three classifications: Unit K-12 Districts, Elementary K-8 Districts, and High School Districts. Three groups of school districts were excluded. The first was non-standard districts, such as special ed cooperatives. These districts have a distinct funding structure that could not be compared to the other districts. Districts that were merged with another district during or in the year prior to the analysis were also excluded. Each year, several districts in the state merge, thereby reducing the total number of districts. If a district merged in the year prior to this analysis, there was a reasonable expectation that their expenditures would have changed significantly due to the merger. If a district were to merge during the first or second year of the analysis, it would also lead to a significant expenditure change, so this category was also excluded. Finally, some districts did not file their annual financial reports with the state in a timely manner or the state had not included them in their master repository when data was compiled for this study, resulting in these districts being excluded from the study.

After excluding such districts, a sample of 809 of the 851 Illinois school districts was obtained (Table 1). The number of districts included allowed for the use of correlational research.
Data Analysis

The reports had a standardized format prescribed by the state and prepared by district auditors, who ensure compliance with state standards. Annual financial reports for four years were obtained: 2016–17, 2017–18, 2018-19, and 2019–20. The data was then analyzed by aggregating the per pupil expenditure data from each district. The data was aggregated by compiling expenditures for the following funds: educational, operations and maintenance, transportation, municipal retirement/social security, working cash, and tort. Expenditures were then compiled for all functions, which included both EBF-related functions and non-EBF-related functions. EBF-related functions were identified by reviewing the rationale documents used by the Vision 2020 group. An example of an EBF-related expenditure is the staffing ratio for K-12 classrooms, which is recommended at a level of one teacher per 15 students. The function for this expenditure in a school district is classified as 1100, which is “regular programs.” An example of a non-EBF-related expenditure would be the salaries for central administration, such as the superintendent, which is categorized as function 2300, “support services – general administration.” The data was then further categorized by tier and by type of district (elementary, high school, and unit). The function “Operation and Maintenance of Plant Services” was excluded from the compilation of EBF functions because there was significant variability in these expenditures on a year-to-year basis. When these operational functions were included, the
patterns were more pronounced; thus, this analysis without this function represents a more conservative approach.

The focus on Tier 1 and 2 districts made it possible to concentrate on the districts that received the most funding, representing 99% of the total allocation. Tiers 3 and 4 districts did not receive a substantial amount of new funding, with a maximum of only $2 per student allocated to Tier 4 (Illinois State Board of Education, 2019).

Reliability and Validity

The structure of the study demonstrates the internal validity of the research. The school districts, their auditors, and the state are largely responsible for the reliability and validity of the data that was used to conduct this research because the research was based on the state-defined system in which school districts operate and report data related to their revenue and expenditures.

Possible threats to the validity of the data were minimal because there was a strong incentive for school districts to follow these policies and laws. If a district was not compliant, it would receive an unfavorable audit report and the auditor would correct the identified deficiencies before submitting it to the state. The auditing firms themselves are governed by professional standards and guidelines to ensure their accuracy (Illinois State Board of Education, 2020). One area of limited risk was that the early years of the EBF model were evaluated and there might have been unknown data issues related to the implementation of the program, such as expenditures that might initially be improperly classified. My personal expertise in the field, as a
school district chief school business official and associate superintendent, also enabled me to observe trends, inconsistencies or other issues related to the data.

Potential Threats to Internal and External Validity

The study was closely monitored to ensure that there was internal validity. A potential threat to validity to consider was the overall economy, inflation, and other factors that impact school revenue. School revenue in Illinois is significantly tied to property taxes and any increase in property taxes is tied to year-on-year changes in the Consumer Price Index (CPI) or voter-approved referendums to raise taxes. For the 2017–18 school year, the CPI used to calculate the levy increase was 0.7%. For the 2018–19 and 2019–20 school years, it was 2.1%. This means that some increase in spending was likely tied to the inflationary increases of tax levies that most districts received. Several districts also included operating rate referendums, which enable voters to increase the amount of local property taxes that are collected. This leads to a larger than typical increase in revenue and expenditure in the year that the taxes are levied. During this period, there were approximately 10 successful tax rate referendums to increase revenue (Illinois State Board of Education, 2018).

Ethical Considerations

There are no known ethical issues related to this study because it comprised an analysis of a program implemented by the state using publicly available data. The choices that the individual districts make about the allocation of their resources were not impacted by this study and they will not be aware of the study until the results are published.
Rationale for the Law and Connection to Function-Based Expenditures

Local and state education leaders, as well as education advocacy groups, developed the rationale for the law based on evidence from nationwide studies about education. These studies were compiled into a document and modeled for prototypical school sizes. The chart in Appendix B maps these studies to their related function area. These functions were subsequently analyzed using the process outlined in this paper to answer the research questions.

Context

The creation and implementation of the EBF model came at a precipitous moment for the state government and overall state finances. The democratically controlled state legislature and Republican governor were unable to agree on a state budget for two years. The lack of a state spending plan resulted in only emergency and court-mandated expenditures, meaning that payments were not made to vendors, social service agencies, and others. A stop-gap funding bill provided minimal funding for education, but the state had more expenditures than available revenue; thus, even authorized expenditures were delayed. Compounding this issue was the expiration of a previous state income tax increase, which resulted in the income tax dropping from 5% to 3.775% at the conclusion of 2014, causing a significant decrease in state revenue.

The Republican governor, Bruce Rauner, proposed a turnaround agenda with various components, including a property tax freeze, which would have greatly reduced funding to K-12 schools. The ultimate compromise contained little of the turnaround agenda and included the passage of a state budget and the EBF law.
Summary of Findings and Rationale for *Journal of School Business Management* Article

Summary of Findings

Below is a summary of the results. Overall, the analyses show that expenditures increased across the board, with increases in both percentages and real dollars, from 2017–2020. However, there was variation in the patterns by district tier. Tier 1 school districts saw a larger proportional increase in EBF-related expenditures than Tier 4 districts. These patterns are further explored below and suggest that providing additional funds to districts did lead to increased funds being allocated to EBF-aligned functions.

The results of this analysis demonstrate that after the passing of the EBF law there was an increase in spending in EBF-related functions in Illinois Tier 1 school districts, which received about half of the new funding. Other tiers saw less of an increase in EBF-related expenditure.

Research Question 1: What Were the Overall Changes to Spending Pre- and Post-EBF Implementation?

Table 2 consists of statewide data on the changes in expenditure from FY 2017 to FY 2020. An analysis of statewide data showed that all expenditures rose by nearly 14% from 2017 to 2020 across the Illinois schools included in the study. During that time, EBF expenditure rose
at a rate of 13% and non-EBF expenditure rose at a rate of 16%. Overall, 60% of the new dollars went to EBF-related functions.

**Research Question 2: What Variation Was There Between the School Tiers in Terms of Spending, Particularly on EBF-Related Functions Before and after EBF Implementation?**

On a statewide level, the majority of new spending went to EBF expenditure. Statewide patterns in each of the four tiers were also examined to determine how the money each tier received impacted its spending pattern. Tier 1 schools saw a 13% increase in overall expenditure, Tier 2 saw a 14% increase, Tier 3 11% and Tier 4 15%, as shown in Table 3.

**How did the districts allocate their new dollars for Tier 1 schools?**

Tier 1 schools spent proportionally more on EBF expenditure than any other tier (Table 4). Tier 1 schools, those that had the greatest economic need and therefore received the largest resource allocation under the law, saw EBF expenditure rise by 14% compared to 12% for non-
EBF expenditure. In these districts, 69% of the new dollars were used for to cover EBF costs, as shown in Table 4.

**Table 4 Tier 1 School District Expenditure Changes for All Districts (FY 2017 – FY 2020)**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 17</th>
<th>FY 20</th>
<th>% Change/Year</th>
<th>% Change Total</th>
<th>$ Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$6,965</td>
<td>$7,926</td>
<td>4.60%</td>
<td>13.81%</td>
<td>$962</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$3,663</td>
<td>$4,093</td>
<td>3.91%</td>
<td>11.73%</td>
<td>$430</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$10,628</td>
<td>$12,019</td>
<td>4.36%</td>
<td>13.09%</td>
<td>$1,392</td>
</tr>
<tr>
<td>New Dollars to EBF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>69.12%</td>
</tr>
</tbody>
</table>

287 districts

*How did the districts allocate their new dollars for Tier 2 schools?*

Tier 2 schools represent the largest tier, with 327 schools. The districts are classified in the second highest category of economic need and saw EBF-related expenditures rise by 13% compared to 15% for non-EBF-related expenditures. Overall, 63% of the new dollars were used for EBF-related expenditure, as shown in Table 5.

**Table 5 Tier 2 School District Expenditure Changes for All Districts (FY 2017 – FY 2020)**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 17</th>
<th>FY 20</th>
<th>% Change/Year</th>
<th>% Change Total</th>
<th>$ Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$7,272</td>
<td>$8,241</td>
<td>4.44%</td>
<td>13.31%</td>
<td>$968</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$3,702</td>
<td>$4,273</td>
<td>5.14%</td>
<td>15.43%</td>
<td>$571</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$10,974</td>
<td>$12,514</td>
<td>4.68%</td>
<td>14.03%</td>
<td>$1,539</td>
</tr>
<tr>
<td>New Dollars to EBF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>62.90%</td>
</tr>
</tbody>
</table>

327 districts

*How did the districts allocate their new dollars for Tier 3 schools?*

Tier 3 schools compromise the smallest tier, with only 56 school districts. These districts are classified as having the third highest level of need. They saw EBF-related expenditure rise at
a rate of 10% compared to 14% for non-EBF-related expenditure. Overall, 58% of the new dollars were used for EBF-related functions, as shown in Table 6.

**Table 6: Tier 3 School District Expenditure Changes for All Districts (FY 2017 – FY 2020)**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 17</th>
<th>FY 20</th>
<th>% Change/Year</th>
<th>% Change Total</th>
<th>$ Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$8,949</td>
<td>$9,818</td>
<td>3.24%</td>
<td>9.71%</td>
<td>$869</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$4,449</td>
<td>$5,069</td>
<td>4.64%</td>
<td>13.93%</td>
<td>$620</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$13,398</td>
<td>$14,887</td>
<td>3.70%</td>
<td>11.11%</td>
<td>$1,489</td>
</tr>
</tbody>
</table>

How did the districts allocate their new dollars for Tier 4 schools?

Tier 4 schools, those with the most local resources, saw a slightly greater increase in overall expenditure of 15% compared to 13% for Tier 1 schools (Table 7). Tier 4 schools also showed the least amount of new dollars, namely 46%, being used for EBF-related functions, as shown in Table 7.

**Table 7: Tier 4 School District Expenditure Changes for All Districts (FY 2017 – FY 2020)**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 17</th>
<th>FY 20</th>
<th>% Change/Year</th>
<th>% Change Total</th>
<th>$ Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$11,495</td>
<td>$12,733</td>
<td>3.59%</td>
<td>10.76%</td>
<td>$1,237</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$6,743</td>
<td>$8,176</td>
<td>7.09%</td>
<td>21.26%</td>
<td>$1,434</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$18,238</td>
<td>$20,909</td>
<td>4.88%</td>
<td>14.65%</td>
<td>$2,671</td>
</tr>
<tr>
<td>New Dollars to EBF</td>
<td>$139 districts</td>
<td>46.32%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

How did overall spending increase for EBF-related functions at Tier 1 schools (those that received the most significant amount of additional funds) compared to Tier 4 schools (those that essentially received no funds) for FY 2017 to FY 2020?
EBF-related expenses rose 14% at Tier 1 schools compared to 11% at Tier 4 schools, demonstrating that Tier 1 schools saw a greater increase in spending than their more well-funded counterparts.

Discussion

Overall, it was found that the greatest allocation of new dollars to EBF expenditure was aligned to tier classification. A significant number of the new dollars were allocated to expenditure associated with the intent of the law. For Tier 1 districts that received the most funding, 69% of the new dollars were spent on EBF-related functions, compared to 46% for Tier 4 schools.

These findings, of school districts spending dollars in alignment with the goals of the state-level policy, are surprising given the predictions premised on principal-agent theory. There are several possible reasons for this discrepancy. One possible explanation might be that the reporting mechanisms were so strong that the school districts, functioning as the agents, felt compelled to act in the manner articulated by the state (principal). However, this is unlikely to be the case because the reporting method is general and does not specifically require a district to link its responses to its annual financial report.

Another possible reason for the apparent alignment of agent action with principal goals is that the rationale for the EBF law encompasses so many facets of the school, ranging from curricular to the extracurricular programs and to administrative support, that the subsequent set of functions for which the funds are expended is so broad and compromises such a large percentage share of each budget that it is likely that any new expenditure would fall within these
broad areas. Similarly, it could be that the function codes are too general an instrument to measure this change because they do not provide an explicit rationale for each expenditure.

Finally, it might be that the principals and the agents are generally aligned in this area. The aim of the policy is to encourage research-based methods to provide a comprehensive education to students. From the perspective of this researcher, there is nothing shocking, politically divisive, or unexpected in the rationale for the law that might lead to implementation drift.

Tier 3 and Tier 4 districts may also have made different spending decisions because they already had the resources to provide an education that met or exceeded the definition of “adequate” as set by the state, leading in turn to increased spending in non-EBF-related functions to address other needs, such as increased expenditures related to state compliance and business or human resources administration.

**Limitations of Study**

Overall, this study has several limitations. The primary one is that it did not include an analysis of the efficacy of how the dollars were spent. While it shows that the dollars were substantially allocated to the areas aligned with the law’s rationale, no attempt was made to evaluate the effectiveness of how those dollars were spent. One might presume that talented teachers and administrators in the various districts made sound, research-based choices, allocating dollars to the areas that needed the most improvement in their districts and that these efforts were successful in addressing the identified deficiencies. This researcher did not attempt to measure that effectiveness.
Another possible limitation is with the data. The study was based on publicly available data. Each district must use a standard methodology for recording and reporting expenditures, and licensed auditors subsequently review these classifications each year. There is a chance that some school districts did not classify expenditures properly.

The data may also be influenced by the United States Consumer Price Index for the study years. School district levies are typically increased by the amount of year-over-year change in the Consumer Price Index for Urban Consumers (CPI-U). During the fiscal years included in the study, the CPI averaged 1.4%, a relatively low number compared to prior years. This in turn may have created other pressures, such as salaries rising faster than CPI (United States Bureau of Labor Statistics, 2023).

Future Directions

A future direction might be a companion study in which academic performance in Tier 1 and Tier 2 districts is analyzed. There are several avenues to pursue, including using publicly available academic performance data on the Illinois School Report Card and data from this study to determine whether there is a correlation between the number of new dollars allocated to EBF-related expenditure and changes in various academic benchmarks. A study could also be conducted to determine whether districts, particularly in Tier 1 and Tier 2, reduced or did not take typical inflation-related increases for their property tax levies after receiving EBF funds.

It is also possible to take a qualitative approach to this work, with a case study of several school districts to understand how and why they made decisions regarding their resource allocations. This could include schools in the same tier to understand the commonalities and
variabilities in approaches or could look across tiers to better understand how the amount of available local resources influenced how new funds were allocated. Finally, another area of exploration could involve how resources were utilized during and post-Covid.

Implications for Illinois Professional Organizations, Policymakers, Legislators

The successful launch of the EBF program for Tiers 1 and 2 schools demonstrates that, by working together, policymakers, professional organizations, the executive branch, and schools can implement programs that benefit the students and communities that need that support the most. It will be important for the executive branch and legislators to continue to fund the law on an annual basis. Furthermore, the law provides a roadmap for future collaboration to address other issues impacting education in the state and demonstrates that thoughtful, research-based collaboration can have a measurable impact.

Implications for School Finance Beyond Illinois

Other states might benefit from studying the Illinois EBF model and determining whether the rationale that guides the law applies to their states. In recent years, states have sought to increase education funding due to either judicial mandates or legislative action. By considering a means-tested funding mechanism with a strongly articulated rationale, local education agencies in other states may follow their Illinois counterparts and utilize the funds in a way consistent with research-based goals.

Rationale for Journal of School Business Management Article

The Journal of School Business Management (JSBM) is a practitioner-focused publication of the Illinois Association of School Business Officials. Publishing an article in this
journal will make it possible to share this work with school administrators, finance professionals, and professional organizations across the state. The article (in Appendix A) covers history, policy, and results, with recommendations or implications for practitioners and policymakers. It is important that each of these constituencies understands how the law is working and how the resources have been used because the governor and the state legislature must make a decision each year about how much should be allocated for EBF. Although significant new funds have been added, adequacy still needs to be achieved in all districts. Bringing visibility to both the success of the law and the gaps that remain might lead to future action, enabling school districts to advocate for increased funding.
REFERENCES


Appendix A:

Journal of School Business Management Article
Early Evidence of Success: How Resources Provided by under the Illinois’ Evidence-Based Funding Law Were Used to Support Student Outcomes

By Chris Johnson, Associate Superintendent, New Trier Township High School District 203 and Benjamin Creed, Ph.D., Associate Professor, Educational Administration, Northern Illinois University

Introduction

The State of Illinois passed and implemented a new education funding law in 2017 known as the Evidence-Based Funding (EBF) for Student Success Act to address underinvestment by the state in K-12 education. This article is an examination of how local education agencies used the additional funding provided to them under the law during the first three years of its implementation. This analysis will show that the funds were allocated for EBF-related expenditure at a greater rate than non-EBF-related expenditure in the most economically disadvantaged districts, which received 99% of the new funding under the law.

We know that resources matter but not all schools have access to the same resources

A substantial body of education literature has shown that resources matter when instructing students, but that not all schools have the same resources (Jackson, 2018). Higher operational expenditure can lead to improvement in various academic indicators, high school completion, and admittance to post-secondary institutions (Baron, 2022). Although this is widely understood among both academic researchers and policymakers, inequity remains. Funding is uneven and varied across states, and even within states (Baker et al., 2018). Illinois presents a significant example of intra-state variance: while per pupil expenditure (PPE) is near the top of the national average (see Figure 1, IL had the 9th highest average PPE in 2019-20), IL has consistently earned Fs on the National School Funding Report card for the distribution of resources between districts (Baker, et al., 2010, 2012, 2014, 2016, 2018) and has seen low-income students typically have access to fewer per-pupil resources than non-low income students over the past 24 years (Urban Institute, n.d.).
Figure 1. Average per-pupil expenditures by State, AY 2019-20

Note: Data comes from NCES’ Common Core of Data for AY 2019-20.
Historical foundations of school funding in the US

The methods by which schools are funded has evolved since the inception of public education in the United States. Both legislative policy and judicial action have shaped this evolution. Each state operates its own education funding framework because the United States Constitution does not specifically mention education and powers not specified by the constitution are left to the states. Some federal oversight and resources have been provided to education, with the establishment of the United States Department of Education. The federal government provides some resources and oversight for federal laws as they relate to education through the U.S. Department of Education (see Figures 2 and 3 for historical trends in school revenue by source). This decentralized and varied system has led to a variety of funding and allocation methods across states. State funding systems have led to school districts being funded at different levels.

Figure 2. Per-pupil revenue by source, 1919-20 to 2018-19

Note: Data from NCES’ Digest of Education Statistics.
The lack of direct comprehensive federal oversight and the decentralized nature of state educational systems allows many expenditure decisions to be made at the local level, by elected school boards and their administrations. Local school boards have the responsibility of assigning students to schools by grade and location, hiring and assigning faculty and staff, and determining the compensation of employees (Uerling & O’Reilly, 1989). In modern times “public education investment represents the principal method by which our society attempts to equalize opportunity among children born into different circumstances” (Levin, 1973 p. 149). The allocation of resources and its connection to both local control and disparate state funding systems has also been litigated, with lawsuits in 45 out of 50 states in 2012 (Ladd & Goertz, 2015).

**Important court cases that shape current US school funding landscape**

The historical foundations of the education system have led to significant school funding variances, which have provided the impetus for significant litigation centered on equity and adequacy. In 1971, a landmark Supreme Court in California (Serrano v. Priest, 1971) ruled that the state’s system of funding education “with its substantial dependence on local property taxes and resultant wide disparities in school revenue, violates the equal protection clause of the Fourteenth Amendment ... because it makes the quality of a child’s education a function of the wealth of his parents and neighbors” (Levin, 1973 p. 149). Following the California ruling, state courts in Minnesota and New Jersey, as well as a Federal Court in Texas, issued similar rulings (Levin, 1973).

A major change in school funding occurred in the State of New York in a case titled “Campaign for Fiscal Equality vs. State of New York” (Rebbell & Wolf, 2016). This 13-year court case, which was resolved in 2006, comprised an attempt to increase the amount of state funding provided to all schools. The principle driving the case was to provide “the opportunity for a sound basic education” for students in the state (Rebbell & Wolf, 2016 p. 4). The New York Court of Appeals, which functions as the state’s highest court, found that over 1.1 million students were being denied the right to a sound basic education as required by the state constitution and ordered that the state undertake significant reforms.
While these court cases have influenced state funding systems, the proportion of school district revenue coming from local sources have stabilized around 45% over the past 40 years (Figure 3). This leaves local communities significantly responsible for funding their schools, leaving inequities in local wealth tied to inequities in school funding.

**Figure 3. Proportion of revenue by source, 1919 to 2018–19**

![Proportion of revenue by source, 1919 to 2018–19](image)

Note: Data from NCES’ Digest of Education Statistics.

**How Illinois school districts were funded before EBF**

In Illinois, K-12 education is funded by three primary sources: property tax revenue levied by local school districts, state government allocations, and the federal government. Illinois has a long history of inequitable funding. Before the introduction of the EBF Act of 2017, the bulk of district funding was provided by local property tax, meaning school districts with higher value property were able to generate more property tax revenue.

Although attempts were made to address this inequitable funding structure through the courts, the Illinois Supreme court ruled that any solution must be determined legislatively rather than
judicially. Before 2017, only minor adjustments were made to the funding system. Illinois overhauled its funding system in 2017 with the passage of the EBF Act.

**The passing of the Evidence-Based Funding law brings new money and resources to Illinois school districts**

In 2017, the State Legislature passed and Governor Rauner signed into law Public Act 100-0465, known as the EBF for Student Success Act, to increase the amount of state resources provided to school districts. The law aimed to both define and provide adequate funding for school districts. “Adequacy” was defined using research on effective educational strategies, programs, and services, and by calculating the cost to provide these services on a per-district basis. New funds were distributed to districts to provide an adequate level of education (Illinois State Board of Education [ISBE], 2018).

The legislation was the outcome of the Vision 20/20 initiative, which was launched in 2012. As indicated in its vision statement, “the uniting purpose shared across zip codes and political party lines in Illinois is the overwhelming belief that public education plays a defining role in ensuring equal opportunity. It is our collective duty to do all we can to guarantee every student, no matter his or her demographic or geographic identity, has equal access to a quality education” (Vision 20/20, 2016 pg. 3).

The Vision 20/20 report used prototypical school sizes for elementary, middle, and high schools to define adequate levels of staffing and resources. This included defining adequate student-to-teacher ratios in kindergarten classrooms or the percentage of faculty that should be in specialized (non-core academic areas). Ratios were also defined for support positions, such as instructional coaches and per student costs for professional development (Jacoby, 2016).

The aim of the recommendations presented in the Vision 20/20 report is to achieve vertical equity by taking into account the unique needs of the students, including low income, English learners, and special education learners. They also intended to assure horizontal equity by placing all districts on an equal footing and to provide adequacy as measured by the resources provided to districts.
While the law, grounded in evidence-based practices, focused on increasing funding to achieve adequate levels of resources in all districts, the law did not have any mechanisms to ensure that the outcomes were achieved beyond a passive monitoring tool, the EBF spending plan (ISBE, 2020). In the first year after the laws passage, school districts received resources equivalent to what they received from the state in the previous year for several grants. This was supplemented by approximately $300 million in new tier funding and $50 million for property tax relief on an annual basis. Districts were categorized into four tiers, accounting for their existing financial resources and how much additional support was needed to provide an adequate education using the criteria defined in the EBF Act. Tier 1 received the most significant amount of additional funds (50% of new funds), and Tier 4 receives the least (.1%) (ISBE, 2018). The EBF law includes a formula to distribute additional funds and perform calculations in three phases to distribute resources. Step one calculates the cost of educating all students according to defined cost factors. The cost factors have four components: core investments, per-student investments subject to regionalization, per-student investments not subject to regionalization, and additional investments (ISBE, 2018). Districts send information about the total number of students and specific numbers needing English language support or special education services to ISBE. This creates an “adequacy target” for each district. The second step is to compare local resources from property taxes to the adequacy target. The results from the first two stages are combined to determine how far a district is from its adequacy target. The third stage is to distribute the funds to help districts meet their adequacy targets (ISBE, 2018).

The allocation of resources based on need is intended to address the issue of horizontal and vertical equity by providing a larger share of the new resources to districts that meet various demographic and financial criteria. The tier allocations are summarized in Table 1 for the fiscal years included in this study. During the three-year study period, a total of $979,123,946 in funding was provided to school districts (ISBE, 2020). By design, districts with more resources received fewer new state resources. Each year new funds are allocated in a similar pattern where 50% of all new funds are allocated to Tier 1 districts, the next 49% of new funds are allocated evenly between Tier 1 and Tier 2 districts, 0.9% of new funds go to Tier 3 districts, and 0.1% of
funds go to Tier 4. The law made special provisions for the state’s largest school district, Chicago Public Schools, typical of Illinois school finance legislation (ISBE, 2017).

**Table 1. EBF Allocations during Study Period, by tier.**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Dollars</td>
<td>Per Student</td>
<td>Total Dollars</td>
<td>Per Student</td>
<td>Total Dollars</td>
<td>Per Student</td>
</tr>
<tr>
<td>Tier 1 (50%)</td>
<td>$183,305,000</td>
<td>$358</td>
<td>$150,011,180</td>
<td>$283</td>
<td>$156,245,793</td>
<td>$325</td>
</tr>
<tr>
<td>Tier 2 (49%)</td>
<td>$179,638,900</td>
<td>$61</td>
<td>$147,010,957</td>
<td>$54</td>
<td>$153,120,877</td>
<td>$59</td>
</tr>
<tr>
<td>Tier 3 (0.9%)</td>
<td>$3,299,490</td>
<td>$27</td>
<td>$2,700,201</td>
<td>$23</td>
<td>$2,812,424</td>
<td>$28</td>
</tr>
<tr>
<td>Tier 4 (0.1%)</td>
<td>$366,610</td>
<td>$1</td>
<td>$300,022</td>
<td>$1</td>
<td>$312,492</td>
<td>$1</td>
</tr>
<tr>
<td>Total</td>
<td>$366,610,000</td>
<td>$1</td>
<td>$300,022,360</td>
<td>$1</td>
<td>$312,491,586</td>
<td>$1</td>
</tr>
</tbody>
</table>


**Rationale for this study**

While there are other components within the EBF Act, districts have few restrictions regarding how the funds can actually be spent. While districts have completed the 2017–18, 2018–19 and 2019–20 academic years under the new funding model, little is known about how additional funds were used by districts beyond the non-binding EBF spending plans. This study explored how these funds were spent and if the expenditures were aligned with the evidence-based practices within EBF by addressing the following questions:

1. **What were the overall changes to spending pre- and post-EBF implementation?**
   a) How did overall spending change from FY 2017 to FY 2020?
   b) What changes to spending on EBF-related functions occurred after EBF implementation?

2. **What variation was there between the school tiers in terms of spending, particularly on EBF-related functions, before and after EBF implementation?**
   a) How did the districts allocate their new dollars in Tier 1 schools?
   b) How did the districts allocate their new dollars in Tier 2 schools?
   c) How did the districts allocate their new dollars in Tier 3 schools?
   d) How did the districts allocate their new dollars in Tier 4 schools?
e) How did overall spending increase in EBF-related functions at Tier 1 schools (those that received the most significant amount of additional funds) compared to Tier 4 schools (those that essentially received no funds) for FY 2017 to FY 2020?

Data sources and Methods

Illinois requires school districts to use a fund accounting system with a function and object coding for each expenditure. Each year boards of education must adopt a budget with projected revenue and expenditure for each fund. The budget must list expenditures by function and object using standardized account codes.

A function dictates what the expenditure is for, such as high school instruction, whereas an object details what the expenditure is, such as salary (ISBE, 2018). A function is “the action or purpose for which a person or thing is used or exists … functions include the activities or actions which are performed to accomplish the objective of the enterprise (ISBE, 1980 p. 5). Functions are grouped into six broad areas: Instruction, Support Services, Community Services, Nonprogrammed Charges, Debt Services, and Provision for Contingencies. Each of these functions is then grouped into sub-functions for additional specificity and “grouped according to the principle that the activities should be combinable, comparable, relatable, and mutually exclusive (ISBE, 1980 p. 5).

This study focused on changes in functional level expenditure in the following funds: educational, operations and maintenance, transportation, municipal retirement/social security, working cash, and tort. These were inclusive of EBF-related expenditures and non-EBF-related expenditures. An example of an EBF-related expenditure is the staffing ratio for K-3 classrooms, which is recommended at a level of one teacher per 15 students for low-income students and one teacher per 20 students for non-low-income students. The function for this expenditure in a school district is classified as “1100,” which is “regular programs.” An example of a non-EBF-related expenditure are costs for food services, categorized as function 2560.
The study sample comprised 809 out of 850 Illinois school districts. Districts were excluded if they consolidated or had incomplete financial information available during the study. The data came from annual financial reports submitted to ISBE. The reports have a standardized format prescribed by the state and prepared by district auditors, who ensure compliance with state standards. The data was analyzed by aggregating the per-pupil expenditure data from each district for all functions, EBF-related functions, and non-EBF-related functions. EBF-related functions were identified by reviewing the rationale documents used by the Vision 2020 group. The function “Operation and Maintenance of Plant Services” was excluded from the compilation of EBF functions because there was significant variability of these expenditures on a year-on-year basis. The data was then further categorized by tier and by type of district (elementary, high school and unit).

Results

Average district expenditures increased with the majority going to EBF-related functions

Overall, the analyses revealed expenditures increased across the board, with increases in both percentages and real dollars, from 2017 to 2020 (Table 2). Statewide data on the changes in expenditure from FY 2017 to FY 2020 show that all expenditure rose by nearly 14% from 2017 to 2020 across the Illinois schools included in the study.

Table 2. School district PPE changes for all districts, by tier (FY 2017 – FY 2020)

<table>
<thead>
<tr>
<th>District type</th>
<th>N</th>
<th>FY 17</th>
<th>FY 20</th>
<th>Increase</th>
<th>Change overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Districts</td>
<td>809</td>
<td>$12,267</td>
<td>$13,945</td>
<td>$1,678</td>
<td>13.68%</td>
</tr>
<tr>
<td>Tier 1</td>
<td>287</td>
<td>$10,628</td>
<td>$12,019</td>
<td>$1,392</td>
<td>13.09%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>327</td>
<td>$10,974</td>
<td>$12,514</td>
<td>$1,539</td>
<td>14.03%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>56</td>
<td>$13,398</td>
<td>$14,887</td>
<td>$1,489</td>
<td>11.11%</td>
</tr>
<tr>
<td>Tier 4</td>
<td>139</td>
<td>$18,238</td>
<td>$20,909</td>
<td>$2,671</td>
<td>14.65%</td>
</tr>
</tbody>
</table>
While all districts saw an increase in both real PPE and proportional increase, Tier 4 saw the largest increases in both total and percentage change in PPE. Tier 1 schools saw a 13% increase in overall expenditure, Tier 2 saw a 14% increase, Tier 3 11% and Tier 4 15%. This highlights the role of local property wealth in the funding of IL schools – despite nearly $360,000,000 new State dollars being allocated to Tier 1 and Tier 2 districts, Tier 4 districts were able to increase expenditures at a higher rate.

During the years covered in this study, EBF expenditures rose at a rate of 13% and non-EBF expenditures rose at a rate of 16% (Table 3) Overall, 60% of the new dollars went to EBF-related functions. Within these overall expenditure patterns, variation existed across tiers in the proportion of funds allocated to EBF-related and non-EBF-related expenditures.

<table>
<thead>
<tr>
<th>Spending Category</th>
<th>FY 17</th>
<th>FY 20</th>
<th>Increase</th>
<th>Change overall</th>
<th>% of new funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$8,005</td>
<td>$9,010</td>
<td>$1,005</td>
<td>12.56%</td>
<td>59.92%</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$4,262</td>
<td>$4,935</td>
<td>$673</td>
<td>15.78%</td>
<td>40.08%</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$12,267</td>
<td>$13,945</td>
<td>$1,678</td>
<td>13.68%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Most districts allocated significant dollars to EBF-related functions, with Tier 1 and 2 allocating the highest percentage of new funds.

Table 4 shows changes in PPE allocations between EBF-related and non-EBF-related functions from FY 2017 to FY 2020. Tier 1 schools, which were identified as having the greatest economic need and received the largest resource allocation under EBF, saw expenditures in EBF-related functions rise 14% compared to 12% for non-EBF functions. In these districts, 69% of the new dollars was allocated to EBF spending. Tier 2 and 3 districts saw similar patterns on average with nearly 62.9% and 58.37% of new dollars being allocated to EBF-related functions. Tier 4 districts were the only group which allocated more money to non-EBF-related functions.
Table 4. PPE expenditures on EBF-related functions for districts, by tier (FY 17 - 20)

<table>
<thead>
<tr>
<th>Tier 1 - 287 districts</th>
<th>FY 17</th>
<th>FY 20</th>
<th>Increase</th>
<th>Change overall</th>
<th>% of new funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$6,965</td>
<td>$7,926</td>
<td>$962</td>
<td>13.81%</td>
<td>69.12%</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$3,663</td>
<td>$4,093</td>
<td>$430</td>
<td>11.73%</td>
<td>30.88%</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$10,628</td>
<td>$12,019</td>
<td>$1,392</td>
<td>13.09%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2 - 327 Districts</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$7,272</td>
<td>$8,241</td>
<td>$968</td>
<td>13.31%</td>
<td>62.90%</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$3,702</td>
<td>$4,273</td>
<td>$571</td>
<td>15.43%</td>
<td>37.10%</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$10,974</td>
<td>$12,514</td>
<td>$1,539</td>
<td>14.03%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 3 - 56 Districts</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$8,949</td>
<td>$9,818</td>
<td>$869</td>
<td>9.71%</td>
<td>58.37%</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$4,449</td>
<td>$5,069</td>
<td>$620</td>
<td>13.93%</td>
<td>41.63%</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$13,398</td>
<td>$14,887</td>
<td>$1,489</td>
<td>11.11%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 4 - 139 Districts</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EBF-Related Functions</td>
<td>$11,495</td>
<td>$12,733</td>
<td>$1,237</td>
<td>10.76%</td>
<td>46.32%</td>
</tr>
<tr>
<td>Non EBF-Related Functions</td>
<td>$6,743</td>
<td>$8,176</td>
<td>$1,434</td>
<td>21.26%</td>
<td>53.68%</td>
</tr>
<tr>
<td>All Functions/Expenditures</td>
<td>$18,238</td>
<td>$20,909</td>
<td>$2,671</td>
<td>14.65%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Implications for the law

The EBF law appears to be successful where it matters most, namely encouraging spending on EBF-related functions in the most economically disadvantaged districts. These 614 districts, which represent 76% of districts in the study group, received 99% of the new EBF funding. Of new PPE expenditures in Tier 1 and 2 districts since the passage of EBF, nearly two thirds went to EBF-related functions. Despite no state accountability mechanism or expenditure mandates, these districts were spending more money on functions which were aligned with the evidence-base in the EBF law. Tier 3 and Tier 4 schools did not appear to show as significant of increases
in EBF areas. This could mean several things for the law. First, it could mean the law enabled districts with fewer resources to address previously identified needs which happened to align with EBF via the provision of new funds. Second, it could mean these lower resourced districts took into account the evidence within EBF when making expenditure decisions related to new EBF dollars. The difference in patterns across Tiers could reflect more well-resourced districts having less actively engaged in the discussion about the EBF law and its rationale as many of these districts receive only a few thousand dollars in additional funds each year and were likely to have continued their typical budgeting and spending patterns. As EBF continues to be the school finance law of the land, further monitoring of how districts below adequacy are spending their funds may help ensure all students have access to schooling aligned with the evidence base. However, simply providing the additional funds to schools below the adequacy line in EBF is sufficient to allow districts allocate resources on EBF-related functions.

**Implications for Illinois practitioners**

Illinois practitioners appear to have successfully allocated the majority of new resources to expenditure functions aligned with the rationale of the law. Going forward, it will be important for these districts to measure the efficacy of the programs they have implemented within these funds to determine their effectiveness and to modify them if necessary. It is also imperative practitioners share the story of how funds are used with their representatives as the annual allocation for EBF funds is set each year by the legislature. If elected leaders understand how the law is being successfully implemented, they might be more inclined to increase the amount of funding allocated to EBF.

**Implications for Illinois professional organizations, policymakers, and legislators**

The successful launch of the EBF program for Tier 1 and 2 schools demonstrates that, by working together, policymakers, professional organizations, the executive bench, and schools can implement programs that benefit the students and communities needing the most support. It is important for the executive branch and legislators to continue to fund the law on an annual basis. Furthermore, the law provides a roadmap for future collaboration to address other issues
impacting education in the state and demonstrates thoughtful, research-based collaboration can have a measurable impact.

**Implications for school finance beyond Illinois**

Other states might benefit from studying the Illinois EBF model to determine whether the rationale that guides the law might apply to their state. In recent years, states have sought to increase education funding, either due to judicial mandate or legislative action. By considering a means-tested funding mechanism with a strongly articulated rationale, local education agencies in other states might follow their Illinois counterparts and utilize the funds in a manner that is consistent with research-based goals.

**Future work**

Future work studying how these allocations have impacted academic performance in Tier 1 and Tier 2 districts can further our understanding of how EBF impacts schooling. There are several avenues to pursue, including using publicly-available academic performance data on the Illinois School Report Card a to determine whether there is a correlation between the amount of new dollars allocated to EBF-related expenditures and changes in academic benchmarks.

Conducting a qualitative investigation of several school districts to understand how and why they made decisions regarding their resource allocations would also shine light on how new money is allocated under EBF. This could include schools in the same tier to understand the commonalities and variabilities in approaches, or one could compare tiers to determine how the amount of available local resources influenced how new funds were allocated.

**About the Authors**

Chris Johnson is the Associate Superintendent and Chief Financial/Operating Officer for New Trier Township High School District 203. He is expecting to earn his Doctorate of Education in May 2023.
Dr. Benjamin Creed is an Associate Professor of Educational Administration at Northern Illinois University. His research explores the system level impacts of state educational policy, with a particular focus on school choice, educational leadership development, and educator workforce policies.
References


Urban Institute (n.d.) School funding trends. Retrieved from: 
https://apps.urban.org/features/school-funding-trends/

Appendix B:

Illinois Evidence-Based Funding for Student Success: Research Summary and Function Alignment
Illinois Evidence Based Funding for Student Success
(Illinois EBFM) Research Summaries Contributing to Current Recommendations

<table>
<thead>
<tr>
<th>Rationale Area</th>
<th>Sub-Area</th>
<th>Recommendation</th>
<th>Function Category</th>
<th>Function Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate Staffing for Core Programs/Ratio-Based</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Day Kindergarten</td>
<td></td>
<td>Full day kindergarten for all students</td>
<td>Regular Programs</td>
<td>1100</td>
</tr>
<tr>
<td>Staffing ratios for K-3 classroom teachers</td>
<td></td>
<td>15 to 1 for K-3</td>
<td>Regular Programs</td>
<td>1100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25 to 1 for grades 4-12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialist Teachers</td>
<td>Art, music, physical education, health, career and technical education</td>
<td>20% of core teachers for elementary 20% of core teachers for middle school 33.3% of core teachers for high school</td>
<td>Regular Programs</td>
<td>1100</td>
</tr>
<tr>
<td>Instructional Facilitators / Coaches</td>
<td>PD / coaching for teachers</td>
<td>1 instructional coach for every 200 students</td>
<td>Support Services - Instructional Staff - Improvement of Instruction Services</td>
<td>2210</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Core Tier 2 and 3 Intervention Teachers</td>
<td>Tier 2 and 3 Interventionists, are licensed teachers who, during the regular school day, provide 1-1 or small group (no larger than 5) tutoring to students struggling to meet proficiency in core subjects.</td>
<td>1.0 teacher position in each prototypical school (Additional tutors are enabled through the low income and EL student counts in Element 22)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substitute Teachers</td>
<td>Substitutes for sick teachers and for PD</td>
<td>10 days per teacher calculated as 5.7% of a 176 day school schedule (minimum statutory requirement) for core and elective teachers, instructional coaches, tutors (and teacher positions in additional tutoring, extended day, summer school and ESL positions (Assume 33.3% per diem rate)</td>
<td>Instruction - Regular Programs</td>
<td>1100</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
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<td>--------------------------------</td>
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<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Core Guidance Counselors and Nurses</td>
<td></td>
<td>1 guidance counselor for every 450 grade K-5 students 1 guidance counselor for every 250 grade 6-12 student 1 nurse (CSN) for every 750 K-12 students, (Additional student support resources are provided on the basis of poverty and EL students in Element 23 below)</td>
<td>Support Services - Guidance Services Support Services - Health Services</td>
<td>2120 2130</td>
</tr>
<tr>
<td>Supervisory Aides</td>
<td>General student supervision, bus, hallway. Research does not say these improve student performance</td>
<td>1 aide for every 225 elementary students 1 aide for every 225 MS students 1 aide for every 200 HS students</td>
<td>Instruction - Regular Programs</td>
<td>1100 (may be split across many instructional and other functions)</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
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<td>----------------</td>
<td>----------------------------------------------</td>
<td>-----------------------------------------------------</td>
<td>--------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Librarians</td>
<td>Adequate staffing of libraries and media centers</td>
<td>1 librarian position for each prototypical school 1 librarian assistant/media tech for every 300 students</td>
<td>Support Services - Instructional Staff - Educational Media Services</td>
<td>2220</td>
</tr>
<tr>
<td>Principal/Assistant Principal</td>
<td>Second to only teachers on impact</td>
<td>1 principal per prototypical school 1 assistant principal per prototypical school</td>
<td>Support Services - School Administration - Office of the Principal Services Other Support Services - School Administration</td>
<td>2410</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>School Site</td>
<td>Secretarial Staff</td>
<td>• 1 secretary position for every 225 elementary students</td>
<td>Support Services - School Administration</td>
<td>2490</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 1 secretary position for every 225 middle school students</td>
<td>Other Support Services - School Administration</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 1 secretary position for every 200 high school students</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollar Per Student Allocation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifted and talented students</td>
<td>Support students above standards; develop talents in low income / diverse students</td>
<td>$40/student</td>
<td>Gifted Programs</td>
<td>1650</td>
</tr>
<tr>
<td>Professional Development</td>
<td>In addition to instructional coaches; focus on change in teacher classroom-based practices</td>
<td>$125 per student for trainers in addition to instructional coaches (Element 5) and provides time for collaborative work.</td>
<td>Support Services - Instructional Staff - Improvement of Instruction Services</td>
<td>2210</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
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<td>----------------</td>
</tr>
<tr>
<td>Instructional Materials</td>
<td>Up-to-date materials that reflect current information and pedagogical approaches</td>
<td>$190 per student for instructional and library materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment</td>
<td>These include benchmark, progress monitoring, formative, diagnostic and other assessments teachers need in addition to state accountability assessment data.</td>
<td>$25 per student</td>
<td>Support Services - Instructional Staff - Assessment and Testing (Personnel)</td>
<td>2230</td>
</tr>
<tr>
<td>Computer Technology and Equipment</td>
<td>These include within school technology - computers, servers, network equipment, copiers, printers, instructional software, security software, curriculum management courseware, etc.</td>
<td>$571/student (assumes 1 to 1 program)</td>
<td>Support Services - Instructional Staff - Computer-Assisted Instruction Services</td>
<td>2225</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>-------------------------</td>
<td>-------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Extra Duty and Student Activities</td>
<td>Elementary, middle, and high schools typically provide an array of non-credit producing after school programs, from clubs and bands, to sports and other activities. Teachers supervising or coaching these activities usually receive small stipends for these extra duties.</td>
<td>Elem: $100 per student MS: $200 per student HS: $675 per student</td>
<td>Interscholastic Programs</td>
<td>1500</td>
</tr>
</tbody>
</table>

**Central Office Functions**
<table>
<thead>
<tr>
<th>Rationale Area</th>
<th>Sub-Area</th>
<th>Recommendation</th>
<th>Function Category</th>
<th>Function Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance and Operations</td>
<td>This element includes resources for central office staff including administrators and classified personnel charged with managing the instructional programs and business/operations of the school district. Includes salary, supplies and materials, telephone, software, computers, as well as purchased services (e.g. auditors, legal services, financial advisory services, etc). Excludes employee benefits.</td>
<td>$1,038 per student (33.57% or $348 is the salary component that applies to element 21 - Employee Benefits)</td>
<td>Support Services - Business - Operations and Maintenance of Plant Services</td>
<td>2540</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
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<td>------------------------------------------</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>This element includes health, dental and vision insurance typically offered to all employees. Also includes any costs associated with payment of normal cost for teacher pensions. Also includes SS or IMRF contributions for non-licensed personnel.</td>
<td>30% of total payroll + any additional employer pension normal cost shift</td>
<td>N/A</td>
<td>Embedded in various functions and delineated by object</td>
</tr>
</tbody>
</table>

### Resources for Diverse Learners

<p>| Tier 2 and 3 Intervention Teachers | The most powerful and effective extra help strategy to enable struggling students to meet state standards is individual one-to-one tutoring provided by licensed teachers | 1.0 teacher position for every 125 DHS Poverty Count | 1.0 teacher position for every 125 EL students | Instruction - Regular Programs | 1100 |</p>
<table>
<thead>
<tr>
<th>Rationale Area</th>
<th>Sub-Area</th>
<th>Recommendation</th>
<th>Function Category</th>
<th>Function Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Pupil Support Teachers</td>
<td>At risk students, however, generally have more non-academic needs that should be addressed by additional pupil support staff, which could include more guidance counselors, as well as social workers, family liaison individuals, and psychologists.</td>
<td>1.0 pupil support teacher position (i.e. social worker) for every 125 DHS Poverty Count students</td>
<td>Support Services - Pupils - Attendance and Social Work Services</td>
<td>2110</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
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<td>---------------</td>
</tr>
<tr>
<td>Extended Day Programs</td>
<td>At both elementary and secondary school levels, some struggling students are likely to benefit from after-school or extended-day programs, even if they receive tutoring/Tier 2 interventions during the regular school day. Extended-day programs are created to provide academic support as well as to provide a safe environment for children and adolescents to spend time after the school day ends during the regular school year.</td>
<td>1.0 teacher position for every 120 DHS Poverty Count students and 1.0 teacher position for every 120 EL students.</td>
<td></td>
<td>1100</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
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</tr>
<tr>
<td>Summer School</td>
<td>Many students need extra instructional time to achieve their state’s high proficiency standards. Thus, extended year or summer learning opportunities should be part of the set of programs available to provide struggling students the additional time and help they need to achieve to standards and earn academic promotion from grade to grade.</td>
<td>1.0 teacher position for every 120 DHS Poverty Count students and 1.0 teacher position for every 120 EL students.</td>
<td>Summer School Programs</td>
<td>1600</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
</tr>
<tr>
<td>----------------------</td>
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<td>----------------</td>
</tr>
<tr>
<td>English Learners</td>
<td>The current definition of EL students in Illinois are those who come from homes where English is not the native language and who have not obtained an overall composite proficiency level of 5.0 and a reading proficiency level of 4.2 and a writing proficiency level of 4.2 on the prior year ACCESS for ELs.</td>
<td>1.0 teacher position for every 100 identified EL students.</td>
<td>Bilingual Programs</td>
<td>1800</td>
</tr>
<tr>
<td>Rationale Area</td>
<td>Sub-Area</td>
<td>Recommendation</td>
<td>Function Category</td>
<td>Function Codes</td>
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<tr>
<td>Special Education (mild and moderate disabilities)</td>
<td>Providing appropriate education services for students with disabilities, while containing costs and avoiding over-identification of students, particularly minority students, presents several challenges (see Levenson, 2012). Many mild and moderate disabilities, often those associated with students learning to read, are correctable through strategic early intervention.</td>
<td>1.0 teacher positions per 141 students for services for students with mild and moderate disabilities. Includes special education teachers and the related services of speech/language pathologists and/or OT PT as well as related social workers. 1.0 psychologist per every 1000 students 1.0 special education assistant per every 141 students.</td>
<td>Instruction - Special Education programs</td>
<td>1200</td>
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</tbody>
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