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James Gordon Ward

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Estimates of school finance reform in Illinois . . . exceed $2 billion in cost to the state.

Financing Public Schools in Illinois: A Decade of Discontent

James Gordon Ward

Governor Jim Edgar and the Republican and Democratic leadership of both houses of the Illinois General Assembly vow that 1997 will be the year of school finance reform in the state. Of course, similar statements have been made for every year since 1987. In 1985, as part of an omnibus education reform act, the Illinois General Assembly repealed the general state grant-in-aid formula for funding public elementary and secondary school districts, effective August 1, 1987. The intent was to spend the next two years building a consensus around a new formula that would address issues of both equity and adequacy in Illinois school finance. When the fragmentation of the state's education community, the regionalism of the state, and the hesitancy to devote large amount of new funds to public education led to an inability to reach any semblance of consensus, the General Assembly restored the existing general state grant-in-aid formula in its spring 1987 session and preserved the status quo. Leading educational voices cried that school funding had reached crisis proportions in Illinois, and "we just cannot go on like this for much longer" became the leading lament of school superintendents and board members.[1] Go on they have and, in spite of numerous attempts at reform by a variety of groups and countless promises from state officials that each year will be the year of reform, there has been little material change in Illinois school funding since 1987. The year 1987 marked the beginning of a decade of discontent in Illinois school finance.

The Current Situation

In 1995–96, Illinois public elementary and secondary schools provided education services for approximately 1,932,000 students in 907 public school districts, the number of students trailing only the enrollments in California, Texas, New York, and Florida. The public schools received $12.4 billion in funds in 1995–96, with the largest proportion being $7.3 billion, or 58.7% of the total coming from local sources. An estimated $6.9 billion was derived from local real property taxes. The state provided an additional $4.0 billion, or 32.3% of the total, and the federal government contributed $1.1 billion, or 9.1%. The state share of total revenues had reached a peak at 48.4% in 1975–76, but declined to 41.0% in 1985–86. The current state share of 32.3% represents the lowest level of state support since the enactment of a state income tax in the late 1960s. The Illinois State Board of Education has calculated that state funds for public education has doubled since FY 1976, while local school funds have increased about four-fold. It should be no surprise that while school officials argue that they do not have sufficient funding, taxpayer groups have clamored for property tax relief.[2]

Illinois has two patterns of school district organization. There are 408 unit districts, which have grades pre-kindergarten through 12. Other areas have dual districts with separate elementary (pre-kindergarten through grade 8) and high school (grades 9–12) districts. Elementary and high school districts usually do not have coterminous boundaries so that a number of elementary districts may feed into a single high school district and children from one elementary district may go to different high school districts. There are 392 elementary districts and 107 high school districts in the state. The total number of public school districts decreased from 1028 in 1975–76 to 997 in 1985–86, and then to the current 907 in 1995–96. The loss of 121 districts over a twenty year period resulted from a decline of 38 unit districts, 61 elementary districts, and 22 high school districts. Dual districts are the dominant form of school organization in the Chicago suburban area, while unit districts are more common in the rest of the states.

Total public school enrollment reached a peak in Illinois in 1971–72, when there were almost 2.4 million public school pupils. By 1975–76, enrollment had fallen to just under 2.3 million, with a further decline to 1.8 million in 1985–86. Enrollments actually fell to below 1.8 million in the late 1980s, but have grown again to the current number of just over 1.9 million.

Of the approximately $4.0 billion in state funding for public education in 1995–96, about $2.3 billion was in the form of general state aid, $1.3 billion was provided in about 80 categorical funding programs, about $400 million went to fund the various retirement programs, and the remaining $86 million was in transfer to other state agencies for educational programs.

General state aid is distributed to the 907 local school districts under one of three different formulas, depending on school district wealth per pupil. In 1995–96, 691 mostly low and medium wealth school districts received aid under the "Special Equalization" formula, which is essentially a foundation formula with the foundation level for 1995–96 set at $2949.17. For 147 moderately wealthy districts, an "Alternate Method" formula provides a bridge so that these districts receive at least some general state aid. Finally, a flat grant set at 7% of the foundation level, or $206.44 per pupil in 1995–96, is used for 69 wealthy school districts. These last two formulas exist for the political purpose of ensuring that all districts receive at least some minimum level of general state aid and, therefore, are invested in the state system. The pupil count used in all three formulas is based on average daily attendance and is weighted for grade level and incidence of poverty in the district. The tax rates used in the formulas are state-set calculation rates for each district type.[3]

The categorical aid programs are generally not equalized for wealth differences and are in the form of flat grants. Major categorical program areas include special education ($416 million), pupil transportation ($257 million), early childhood programs ($102 million), vocational education ($55 million), and bilingual education ($54 million).

Illinois, like many other states, has wide disparities in spending per pupil because of a heavy reliance on the local real property tax to support public schools. The situation in Illinois is made more acute by the large number of school districts and the different district types, which results in many small districts and extremes in spending levels. For example,

James Gordon Ward, Professor, University of Illinois at Urbana–Champaign and Past President of the American Education Finance Association.

in 1993–94, among elementary districts the operating expense per pupil ranged from $2618 to S14,525. In high school districts, the figure ranged from $4305 to $14,182, and from $3146 to $10,416 among unit districts. The range is more restricted if only the largest school districts are considered. For the 27 elementary districts with an ADA higher than 3000, the range was $3350 to $8810. For the 21 high school districts with an ADA above 3000, the range was $5305 to $11,891. Finally, among the 25 unit districts with an ADA of 6000 or more, the range went from $3740 to $7328. With whatever measure used, the ranges show large differences in spending per pupil among Illinois districts, prompting the call from educators and others for reform of the system.

Executive and Legislative Attempts at Reform

Since 1987, there have been a number of attempts at reform of the Illinois school finance system through a combination of executive and legislative action. They have met with only very limited success and the Illinois school finance system is not much different in 1997 than it was in 1987.

In 1989, Gov. James Thompson and the leadership of the General Assembly agreed upon a temporary increase in the state income tax, with half of the proceeds to support increased education funding. This temporary measure was made permanent in 1991 during the beginning months of the administration of Thompson's successor, Gov. Jim Edgar. This measure increased state education spending by almost $500 million for the 1989–90 school year and brought the state share of total spending from 37.8% in 1988–89 to 39.4% in 1989–90. However, after an increase in state funding of only $12 million the next year, state spending for public schools actually fell in 1991–92 from the previous year's level. State financial difficulties and the fiscal conservatism of the Republican governor created a situation where state spending on public education in 1992–93 was actually lower than it was in 1989–90. In constant dollars adjusted for inflation, state spending for schools was lower in 1995–96 than it was in 1989–90. In constant dollars per pupil, state funding for public elementary and secondary education fell 10.5% over that same six year period. Even with the increased funding that the income tax increase did provide in 1989–90, the structural problems of the Illinois school finance system that promoted inequities still existed.

In 1990, the Illinois General Assembly appointed the Task Force on School Finance to develop a new state school finance plan that ensured adequate funding for all Illinois school districts and provided a more equitable distribution of school funds. The 36 members of the Task Force represented a broad spectrum of interests in the state, including 23 members of the General Assembly and the State Superintendent of Education, and was led by Sen. Arthur Berman (D—Chicago), former Rep. Gene Hoffman (R—Elmhurst), Sen. John Maitland (R—Bloomington), and Rep. Helen Satterthwaite (D—Urbana), a bipartisan group of prominent education-oriented legislators representing the major regions of the state.[4]

The Task Force held 30 meetings, commissioned extensive staff studies, consulted broadly with many experts and interests, and conducted five public hearings across the state. They issued their report in January 1993, which called for a new foundation level of $3898, a regional cost adjustment, extensive equity measures to raise the spending level of the bottom half of the distribution, property tax relief, and numerous changes to the state formula. A number of supplemental comments were submitted by Task Force members, indicating disagreements with portions of the recommendations.

The Report of the Illinois Task Force on School Finance was acknowledged, but hardly commented upon by Republican Gov. Jim Edgar. Powerful House Speaker Michael Madigan (D—Chicago) was described as lukewarm to the proposals in the report and Senate Republicans were already discussing alternative approaches by the time the Report was released. The legislative leaders who led the Task Force were rebuffed and the Report was allowed to die an almost instant death after its release. Difficult issues of local property tax policy, state revenue issues, and distribution of school aid were discussed extensively by the Task Force, but recommendations seemed to have been forced without real consensus being reached. Everyone found something with which to disagree in the Task Force's recommendations and no action was ever taken on the Task Force Report by the General Assembly.[5]

The Governor's Commission on Education Funding was established by Jim Edgar in May 1995. the commission consisted of 18 members representing a broad spectrum of Illinois citizens, but dominated by the business community. The chairman of the Governor's Commission was Dr. Stanley O. Ikenberry, recently retired President of the University of Illinois and a trusted friend of the Governor. The Commission was charged with recommending reform of the state system of school finance, with an eye toward equity and fairness. The Governor's Commission also consulted widely and held hearings across the state. It released it report in March 1996.[6]

The Governor's Commission report echoed many of the recommendations of the earlier Task Force but focused as well on the relationship between finance and educational quality and more heavily on property tax relief. The Commission also called for a constitutional amendment to be placed on the November 1996 ballot as a mandate for a new funding system. The General Assembly totally dismissed the idea of a constitutional amendment in an election year that ultimately might result in a tax increase. The total cost of the recommendations of the Governor's Commission were estimated to be in the $1.8 to $1.9 billion range after phase-in. However, like the previous Task Force, the report of the Governor's Commission was "dead on arrival" for a number of reasons.

First, as a result of the 1994 state elections, the Republicans retained control of the Senate and captured control of the House. The Republican leadership in both houses were highly partisan and were outspoken in their resolve to protect the interests of the Chicago suburban districts they represented. They were suspicious of school finance reform that moved toward equity because they correctly understood that their region of the state would pay the bill and receive little back in state aid to local school districts.

Also, the Report of the Governor's Commission was released at the same time that a close ally of the Governor, Lt. Gov. Bob Kustra, a moderate, unexpectedly lost the Republican primary for the U.S. Senate nomination to a very conservative state legislator in a campaign where tax issues figured prominently. Governor Edgar's reputation in the state is one of extreme caution and he seldom takes bold initiatives on his own. The primary election results shocked the Governor and other politicians in Illinois and made them extremely hesitant to endorse anything that could be interpreted as leading to a tax increase.

As a result, the Report of the Governor's Commission was never acted upon and the General Assembly never considered it. Instead, in the 1997 legislative session a hybrid school finance plan was adopted. Governor Edgar had proposed an education budget increase of $220 million that would have resulted in an increase in general state aid of over S50 million. Republican House Speaker Lee Daniels initially proposed a $500 million increase with most of it going to districts on a flat grant basis, a move to drive considerably more education dollars into suburban schools.

When it was discovered that because tax bases were growing more rapidly Downstate than in the suburbs, many Downstate districts would lose state aid under Edgar's plan, a

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compromise was reached. Edgar's general state aid proposal was enacted, but added to it was $23.2 million in hold-harmless funds for mostly Downstate districts, and $52.6 million for a flat grant to all districts on a per pupil basis. The total education package was $291 million, higher than the Governor's original budget proposal. However, the flat grant represented a move away from student equity. Many commentators saw this session as part of a move toward pork-barrel politics, or in the words of the legendary Illinois politician Paul Powell, in the 1997 Illinois legislative session you could "smell the meat a-cookin."

Constitutional Approaches to Reform

The decade from 1987 to 1997 saw two attempts to reform the school finance system of Illinois from a constitutional perspective. One approach was an attempt at amending the state constitution in 1992 and the other was a more traditional school finance lawsuit.

In spring 1992 a small group of legislators and school finance activists engaged in a series of conference telephone calls in which they wrote a proposed amendment to Article X of the Illinois Constitution of 1970 which revised the education article making education a fundamental right in Illinois and to include phrases like "It is the paramount duty of the state to provide for a thorough and efficient system of high quality educational institutions and services," "to guarantee equality of educational opportunity as a right of each citizen," and that "The State has the preponderant financial responsibility for financing the system of public education." The proposed amendment by approved by the necessary 3/5ths majorities of both houses of the General Assembly and was placed on the general election ballot for November 1992. The intent of the amendment was to make it clear that the people of the state wanted school finance reform and to give the courts the necessary leverage to mandate reform if the General Assembly did not act. After intense and highly visible political campaigns by both proponents and opponents, the proposed amendment received a 57% "yes" vote at the polls. However, under the Illinois Constitution an approval by 60% of those voting is necessary for adoption, so the amendment effort failed.

In a parallel strategy, a group of about fifty school districts, operating under an intergovernmental agreement beneath the banner of the Committee for Educational Rights Under the Constitution, had filed a lawsuit against the state of Illinois in November 1990 challenging the constitutionality of the state school finance system. This legal challenge was dismissed for lack of a cause of action by a trial court in 1992 and by an appellate court in 1994. On October 18, 1996, the Illinois supreme court upheld the decisions of the lower courts and dismissed the suit one final time in *The Committee for Educational Rights v. Edgar.*[7] The essence of their argument was that since education was not a fundamental right in Illinois, then the rational basis test was the proper standard for considering the equal protection violation charge and that the state system was rationally related to the state's goal of maintaining local control. Also, the court found that the language of the education article of the Illinois constitution established a goal, not a mandate, as was clearly evidenced by the record of the constitutional convention writing the 1970 Illinois constitution. The arguments of the plaintiffs was complicated by the fact that the delegates to the constitutional convention were well aware of the spending inequities that existed in Illinois and made no material attempt to eliminate them in writing the new constitution. The Illinois supreme court upheld long-standing Illinois precedent in ruling that the legislature, not the judiciary, was the proper mechanism for redress of any perceived problems with the Illinois system of school finance.[8]

Future Prospects for Reform

In spite of the vow of many Illinois political leaders that 1997 will be the year of reform in Illinois, it seems highly unlikely that any real reform of the state school finance system will occur for a number of reasons.

1. *Partisanship.* Political partisanship is rampant in Illinois, especially with the Democratic recapture of the state House of Representatives in the 1996 elections. Governor Edgar has insisted on a bipartisan agreement for school finance reform in 1997, but that will be very difficult to achieve in the current political climate. Whether it is true or not, it is thought to be unbending political axiom that it will be difficult for the Governor or members of the legislature to run for reelection in 1998 if they raise taxes in the two years prior to the election.

2. *Revenues and anti-tax sentiment.* Distribution formulas cannot be changed without creating winners and losers. The losers can only be held harmless by an infusion of new money into the system. After a number of years of near fiscal crisis, the State of Illinois is on sounder fiscal footing. Political leaders will be hesitant to commit new funds to education without increased revenues, which almost absolutely will mean increased taxes. As indicated above, this will be politically difficult. Anti-tax feelings are strong in Illinois, just as they are in much of the nation. Interestingly enough, some members of the General Assembly have expressed an interest in a Michigan-type school finance reform because they believe it was achieved while actually decreasing the overall level of funding for education.

3. *Regionalism.* Natural antipathies among Chicago (Democratic), the Chicago suburbs (Republican), and Downstate (mixed, but marginally Republican) make any consensus solution to school finance reform difficult. On important issues, particularly those with clear regional financial implications, regional politics in Illinois often result in legislative gridlock. One interesting, emerging phenomenon in Illinois political regionalism is that the Democrats regained control of the House in 1997 by winning in some traditionally Republican districts in the south suburban region. Who pays and who gains are important questions.

4. *Fragmentation.* One impediment to school finance reform historically has been the fragmentation of the education community. The education interest groups do not speak with one voice and are often at odds with one another in a very public way. This has allowed the legislature to play the game of "we will wait until the education groups get their act together before we will consider reform." Leading educational groups are making a stronger effort in 1997 to agree on a plan for school finance reform, but it remains to be seen whether they will be successful. There are indications that many of the old fissures among the education groups will reappear.

5. *Property tax relief.* Many of the key participants in school finance reform insist that significant property tax relief be part of any package that is enacted. This presents two problems. There is no consensus on how property tax relief will be achieved and property tax relief greatly increases the cost of any reform. Estimates of school finance reform in Illinois with substantial property tax relief exceed $2 billion in cost to the state.

Endnotes

1. For a discussion of the politics of Illinois school finance within the context of general state politics, see Samuel K. Gove and James D. Nowlan, *Illinois Politics and Government: The Expanding Metropolitan Frontier* (Lincoln: University of Nebraska Press, 1996), chapter 10.

2. The data in this section on Illinois education are derived from three publications of the Illinois State Board of Education (ISBE): *State, Local and Federal Financing for Illinois Public Schools* (Springfield: ISBE, May 1996), *Illinois Public Schools Financial Statistics and Local Property Tax Data* (Springfield: ISBE, January 1996), and *Annual State Aid Entitlement Statistics, Illinois Public Schools, 1995–96* (Springfield: ISBE, October 1995).
3. The best overview of the Illinois school finance system is in R. E. Everett, *A Guide to School Finance* (Springfield: Illinois Tax Foundation, 1995).
4. Illinois State Board of Education, *Report of the Illinois Task Force on School Finance* (Springfield: ISBE, January 1993).
5. See James G. Ward, *A Summary History of Public School Finance in Illinois, with Public Policy Issues: A Brief Background Paper* (unpublished paper prepared for Dr. Stanley O. Ikenberry, Chair, Governor's Commission on Education Funding for the State of Illinois, May 30, 1995).
6. State of Illinois, Office of the Governor, *Report of the Governor's Commission on Education Funding for the State of Illinois* (Springfield: Illinois Office of the Governor, March, 1996).
7. Illinois Supreme Court, Slip Opinion, Docket No. 78198.
8. A fuller discussion of this case is contained in James Gordon Ward, *Constitutional Politics and Illinois School Finance Reform,* paper presented at the annual conference of the Illinois Political Science Association, Normal, Illinois, November 9, 1996.

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