



Equity and School Funding in Chicago Public Schools

DECEMBER 2019

THE CHICAGO
PUBLIC
EDUCATION
FUND



“We must ensure all students and schools have the resources they need to succeed, which means investing more where it is needed most. We cannot allow a student’s life circumstances to determine whether or not they will access a high-quality education.”

— SUCCESS STARTS HERE: CPS FIVE-YEAR VISION 2019-2024

Dear Education Community Members,

In 2017, the state of Illinois passed a new school funding formula designed to distribute resources based on individual district needs. That decision marked an important shift in the conversation about equity in school funding: For the first time we acknowledged that some students, schools and districts need more resources than others. It was an important step toward equity, but it also laid plain some long-hidden gaps. Specifically, the state’s new formula revealed that Chicago Public Schools (CPS) has only 66% of the funding it needs to adequately serve the more than 355,000 students in its schools every day.

Using that formula, Chicago needs an additional \$2 billion annually to ensure that all students have access to the high-quality teaching staff and materials essential to their academic success. These inadequate funding levels are often felt by principals who are responsible for managing their school budgets. “My school’s available funding” has been one of the top three areas of concern for principals on our annual Principal Engagement Survey for several years.

Despite those real challenges, Mayor Lori Lightfoot and CPS Chief Executive Officer Janice Jackson have committed to engaging the community and exploring a more equitable approach to funding Chicago’s public schools. They, too, believe that our schools and students need more to achieve 21st century goals.

To make difficult choices in pursuit of equity, it will be essential to ground the conversation in facts and recognize constraints. This report offers a clear explanation of the financial basics and aims to show the complexity of the challenge. We hope it will support discussion among young people, educators, community members, families and other stakeholders, and that it will encourage action at the school, district and state levels. This is especially important in Chicago, because so many of the students we serve come from communities historically marginalized and excluded.

Every year, our civic leaders renew a promise to our students: Each of them deserves a world-class education. Delivering on that promise will require continued engagement, compromise and investment. We hope you will join us in pursuing that aspiration in the years ahead.

Sincerely,



Heather Y. Anichini

Chief Executive Officer, The Chicago Public Education Fund



Key Facts

1

CPS receives only 66% of the funding students need.

The state recommends spending an average of \$22,000 per student. CPS currently allocates about \$16,000 per student. Based on the current rate of revenue growth and cost increases, that gap is likely to persist.

2

The vast majority of district funding directly supports students.

Nearly 23% of the district's budget is allocated to legacy pension and debt service costs, which leaves little flexibility in the remaining funds. Central and network office costs make up 4% of total district spending.

3

The district distributes funding through a variety of methods.

Enrollment drives a portion of school funding; these dollars provide foundational resources for teaching and learning. Schools receive additional funds to meet student needs, including those of English Language Learners and students with Individualized Education Programs.

4

Currently, 98% of schools don't receive adequate funding.

Decisionmakers must consider the nuances of student and school needs, while acknowledging that almost no school has enough. There are no schools exceeding adequacy at a level that would allow for significant redistribution of funding to other schools.

5

Principals often have to make difficult tradeoffs.

On average, principals use 95% of their budgets to cover staffing costs. Those costs increase annually, which means principals need more dollars every year to maintain their current teams, leaving little room for additional staff or new programs.

6

The time to act is now.

More can be done to get resources to the students who need them most. Any effort to explore the current school funding formula and to consider how best to advance equity should include young people, educators, community members, families and other stakeholders.

1

CPS Receives Only 66% of the Funding Students Need

In FY20, CPS has a total budget of \$7.0 billion, excluding capital funding.

CPS is the third-largest school system in the country, serving over 355,000 students in grades PreK-12 with a wide variety of needs. More than 76% of students qualify for free or reduced lunch, and the vast majority come from communities that have been historically and systemically marginalized. Additionally, more than 14% of students in CPS have Individualized Education Programs. According to the state’s adequacy definition, the district would need an additional \$2 billion annually to fully meet the needs of its students.

That gap between student needs and available resources is likely to persist, at least in the near term. Although CPS revenue is growing after a period of decline, costs are increasing as well. Moreover, additional state funding increases are not guaranteed, and federal funding has decreased in recent years.

DISTRICT REVENUE COMES FROM THREE MAIN SOURCES¹

FY20 TOTAL BUDGET²

\$7.0 Billion



\$3.9B

▲ 7% FROM FY19

- Property taxes
- Replacement taxes
- TIF surpluses



\$2.2B

▲ 4% FROM FY19

- Evidence-based funding
- Pension support



\$0.8B

▼ 9% FROM FY19

- Title I funding
- Food service
- Grants for specialized programs

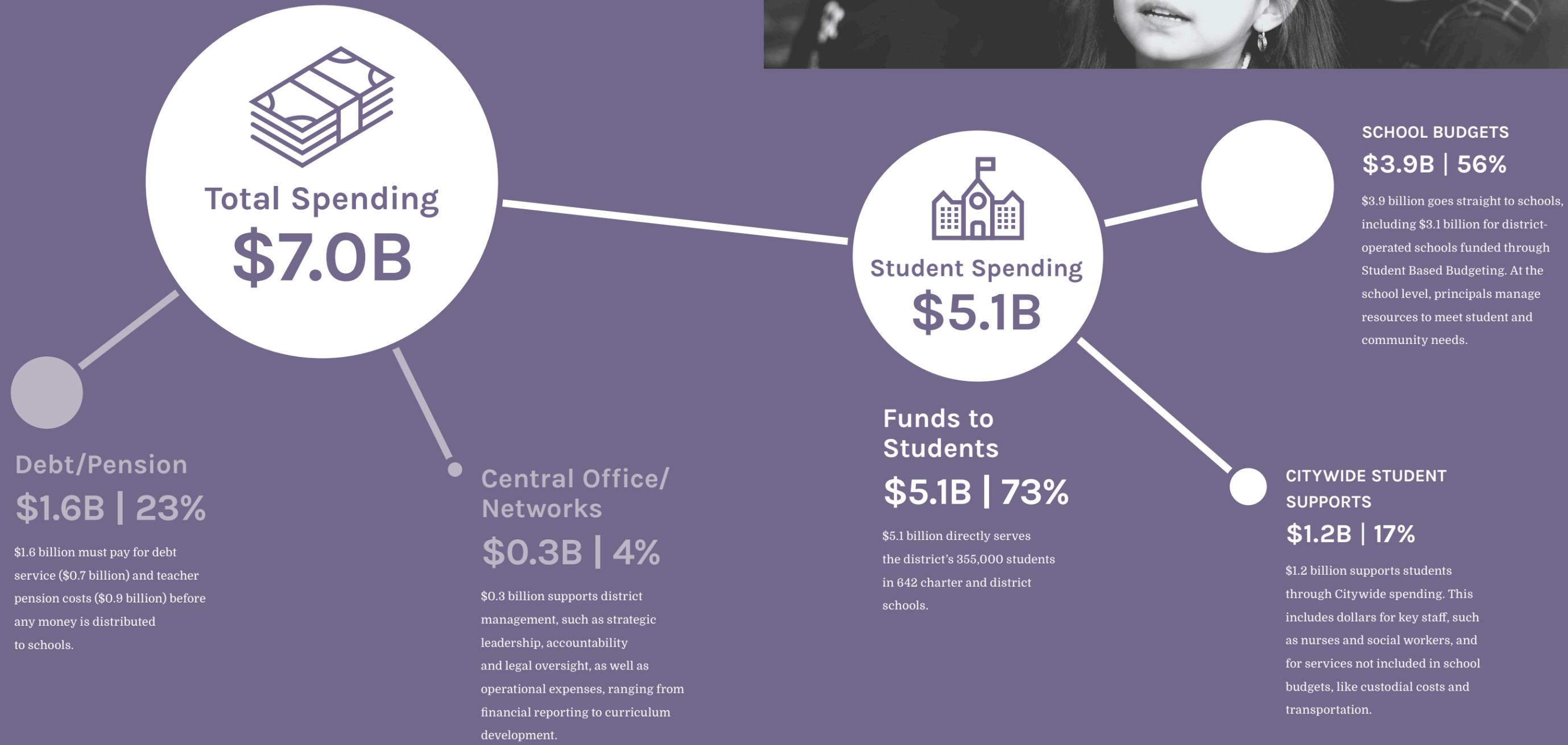
¹ All figures in this chart are rounded to the nearest \$0.1 billion.

² An additional \$0.1 billion fund balance is included in the total budget.

23% OF TOTAL FUNDING IS ALLOCATED TO DEBT AND PENSION COSTS



The Vast Majority of District Funding Directly Supports Students



The District Distributes Funding Through a Variety of Methods

CPS distributes \$3.1 billion to district-operated schools, including \$2.9 billion for teaching and learning.³

Some methods distribute money to all 500 district-operated schools.⁴ For most revenue sources, CPS has discretion in how to allocate dollars to schools. Every school receives funding for three administrative positions: a principal, a clerk and a counselor. These positions cost about \$190 million annually. Every school also receives foundational resources for core instruction through Student Based Budgeting. This accounts for about \$1.4 billion annually. Schools receive these dollars for each student enrolled, and the funding rates vary based on student grade level.



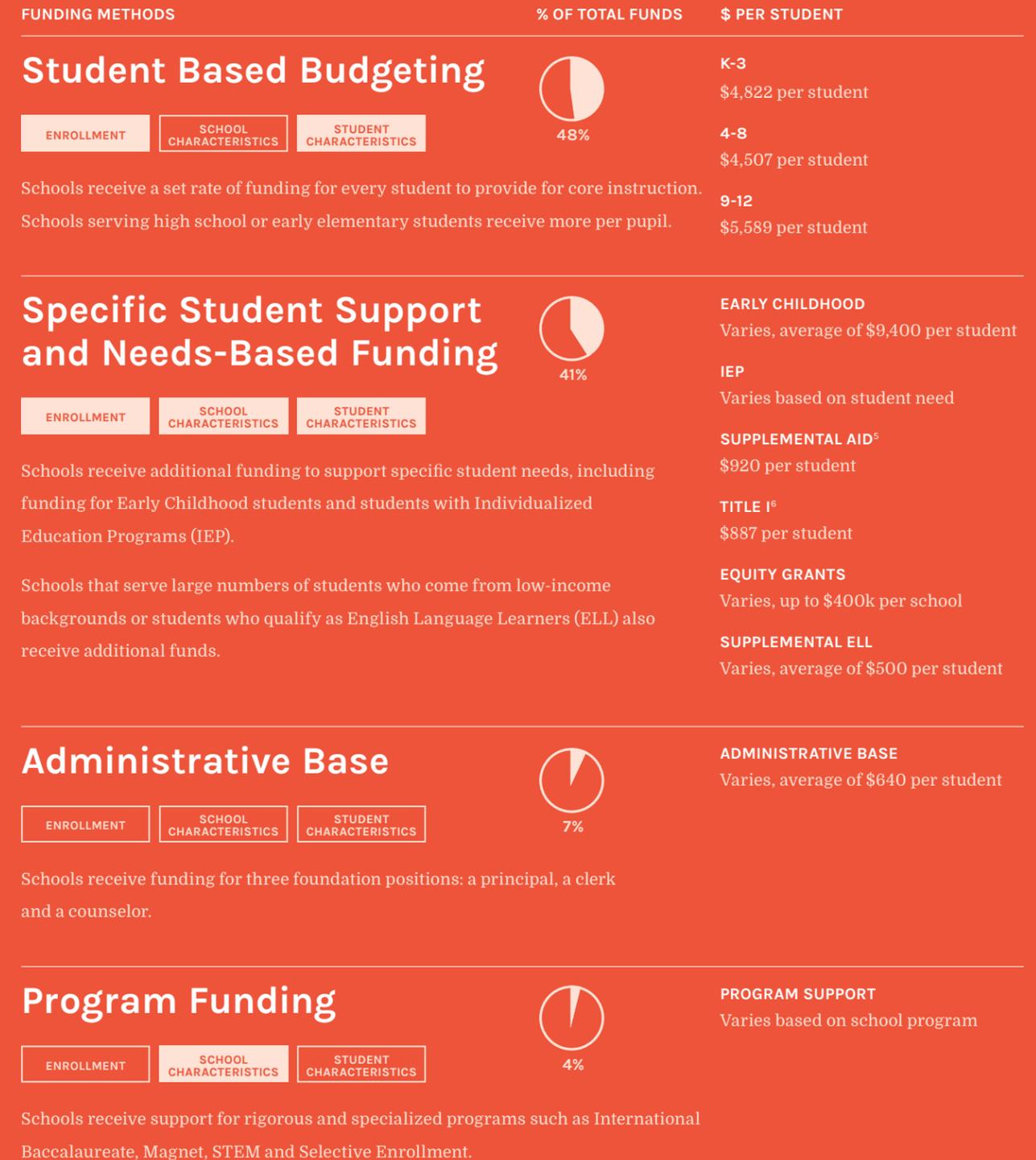
41%
of school funding supports students with specific needs.

In addition, a significant portion of the district’s funds – \$1.2 billion – supports students with specific needs, including about \$160 million for Early Childhood Education and \$580 million for students with Individualized Education Programs. CPS also allocates nearly \$30 million annually to provide more resources for schools serving English Language Learners and about \$390 million for schools serving high-need populations.

Finally, about \$120 million is distributed to schools with specialty programs, including schools with International Baccalaureate, fine arts or STEM designations.

³ The additional \$200 million not directly for teaching and learning supports school operations.
⁴ The rest of the district’s 142 schools — including charter schools — are funded through different approaches and are not represented in the table to the right.

WHAT FUNDING METHODS APPLY TO DISTRICT-OPERATED SCHOOLS?



⁵ Supplemental Aid is distributed to schools based on the number of students eligible to receive free or reduced lunch.
⁶ Title I is federal revenue distributed to schools with high concentrations of low-income students.

Currently, 98% of Schools Don't Receive Adequate Funding

Illinois' definition of adequacy calls for higher funding levels for students with additional needs, including those who qualify as low-income or who are English Language Learners.⁷

Any funding formula implemented in Chicago needs to reflect the reality in our schools. At an average CPS school, about 4 in 5 students come from families that qualify as low-income and nearly 1 out of every 5 students is an English Language Learner. In contrast to the state, where 17% of districts have above adequate levels of funding, fewer than 2% of schools in CPS have enough funding.

Moreover, the state's concept of adequacy only goes so far. Some schools need even more resources to support their students, especially if many of them lack stable housing or transfer multiple times during their school career. These nuanced metrics are not currently reflected in the state's definition, and CPS could consider creating its own definition of adequacy that would account for them.



What is an adequacy target?

The specific funding that a school requires to meet the needs of the students enrolled.

⁷ Illinois' adequacy targets reflect 27 evidence-based best practices and include core investments, such as classroom teachers, specialists, interventionists, counselors and nurses, which are calculated on a district basis. The state formula also recognizes gifted students and students with Individualized Education Programs. Given the wide variance and specialized process for allocating resources for students with Individualized Education Programs, the related costs and revenue are excluded from this section in both the adequacy targets and the overall percentage toward adequacy.

HOW FAR DO CPS SCHOOLS FALL BELOW ADEQUATE FUNDING?

The three schools below represent the diversity of Chicago's public school system.⁸ Regardless of geography and student characteristics, nearly all schools fall below adequacy.

SCHOOL CHARACTERISTICS

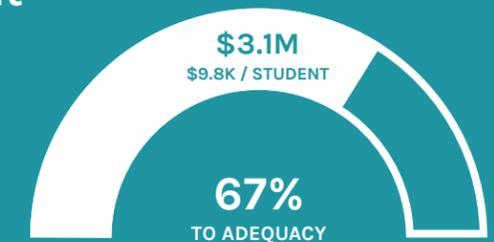
ACTUAL FUNDING AND ADEQUACY RATIO

SCHOOL A

ADEQUACY TARGET
\$4.6M | \$14.6K per student



Enrollment: 316 students
 Black: 99% Latinx: 0% White: 0% Other: 1%
 Attainment Percentiles: 7th (Math) | 11th (Reading)
 Low Income: 99% Homeless: 12% Student Mobility: 31%
 English Language Learners (ELL): 1%

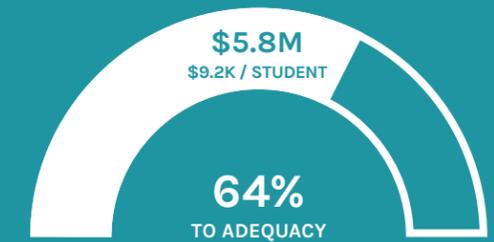


SCHOOL B

ADEQUACY TARGET
\$9.1M | \$14.4K per student



Enrollment: 633 students
 Black: 7% Latinx: 91% White: 1% Other: 1%
 Attainment Percentiles: 43rd (Math) | 42nd (Reading)
 Low Income: 96% Homeless: 2% Student Mobility: 10%
 English Language Learners (ELL): 41%

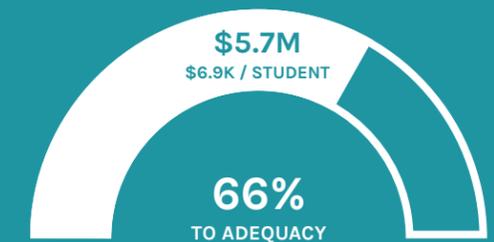


SCHOOL C

ADEQUACY TARGET
\$8.6M | \$10.5K per student



Enrollment: 821 students
 Black: 4% Latinx: 19% White: 65% Other: 12%
 Attainment Percentiles: 96th (Math) | 97th (Reading)
 Low Income: 15% Homeless: 4% Student Mobility: 5%
 English Language Learners (ELL): 7%



⁸ School enrollment and demographic information is as reported by the Illinois State Board of Education. The definition of homelessness includes students who lack a fixed, regular and adequate nighttime residence.

Principals Often Have to Make Difficult Tradeoffs

Chicago’s principals manage an average school budget of \$6 million.

Much of that budget – 95% – goes toward paying for personnel; principals know that a strong staff is critical to the success of a school, and they prioritize funding positions. That usually leaves about \$300,000 for everything else, from substitutes to supplies to after-school programs.

With budgets so tight, even small gaps between cost and revenue growth can pose challenges for principals and their school communities. It can be difficult for schools to keep up with increasing personnel costs every year; average teacher salaries in Chicago rose about 5% annually from 2016 to 2019. In addition, staffing decisions must align with district policies.

While CPS’ finances are improving – and the district expects revenue to increase each year – principals will still need to use a large share of any budget increase for maintenance of current staff and program structure, not improvement.



Principals prioritize hiring and keeping a strong team when developing school budgets.



WHAT IF THE STATE ALLOCATED AN ADDITIONAL \$75 MILLION TO CPS?

Any resources can only have a real impact if they come in addition to the funding required for annual personnel cost increases. Otherwise, the majority of the dollars would support steady-state operations before funding new or innovative work.

CPS could consider several ways to distribute additional resources. Each would have a different impact on students and schools.

CPS could choose to distribute the dollars to all schools by giving every school the same share. It could focus on distributing the resources based on student need by supporting schools with a high percentage of students from low-income backgrounds. As a third alternative, CPS could give more resources to schools falling below the district adequacy average. Under any distribution, though, schools would see only a small increase in their actual budget.

BUDGET INCREASE PER SCHOOL

\$150K

All 500 district-operated schools

\$195K

384 schools with over 80% low-income students

\$240K

311 schools below 66% adequacy

The Time to Act is Now

Chicago has come a long way in its efforts to fund schools adequately. Several years ago, this conversation would have been impossible.

Despite school budget declines in 2016 and 2017, principals focused on preserving core instructional practice and student-centered programming which supported academic progress.

Although today's finances are more stable, we still have significant work to do. CPS students need more resources, and almost all schools are underfunded. With an adequacy gap, ensuring equity is a challenge.

There are places to start. CPS can continue to progress toward equity, even with limited resources. Chicago must come together to explore the current CPS school funding system.



1

Maintain and build upon the important gains already made by CPS.

Since 2017, operating revenue for CPS has increased by nearly \$900 million, and the district has formally introduced the concept of equitable funding. It has also supported principals by releasing school budgets in early spring and basing budgets on the current year's enrollment.

These gains provide a strong foundation for future improvements.



2

Continue educating the public about the challenges of adequacy and equity.

The CPS budget is an important, complicated and technical issue that affects all of us. CPS has made transparency a focus, especially with its annual Resident's Guide to the Budget.

Continued education and dialogue need to be priorities.



3

Convene a broad group of stakeholders to consider all aspects of school funding.

This report is the start of a conversation. Together, young people, educators, community members, families and other stakeholders can – and must – commit to a thorough exploration of an equitable school funding formula that responds to the nuances and needs of Chicago's public schools.

About This Report

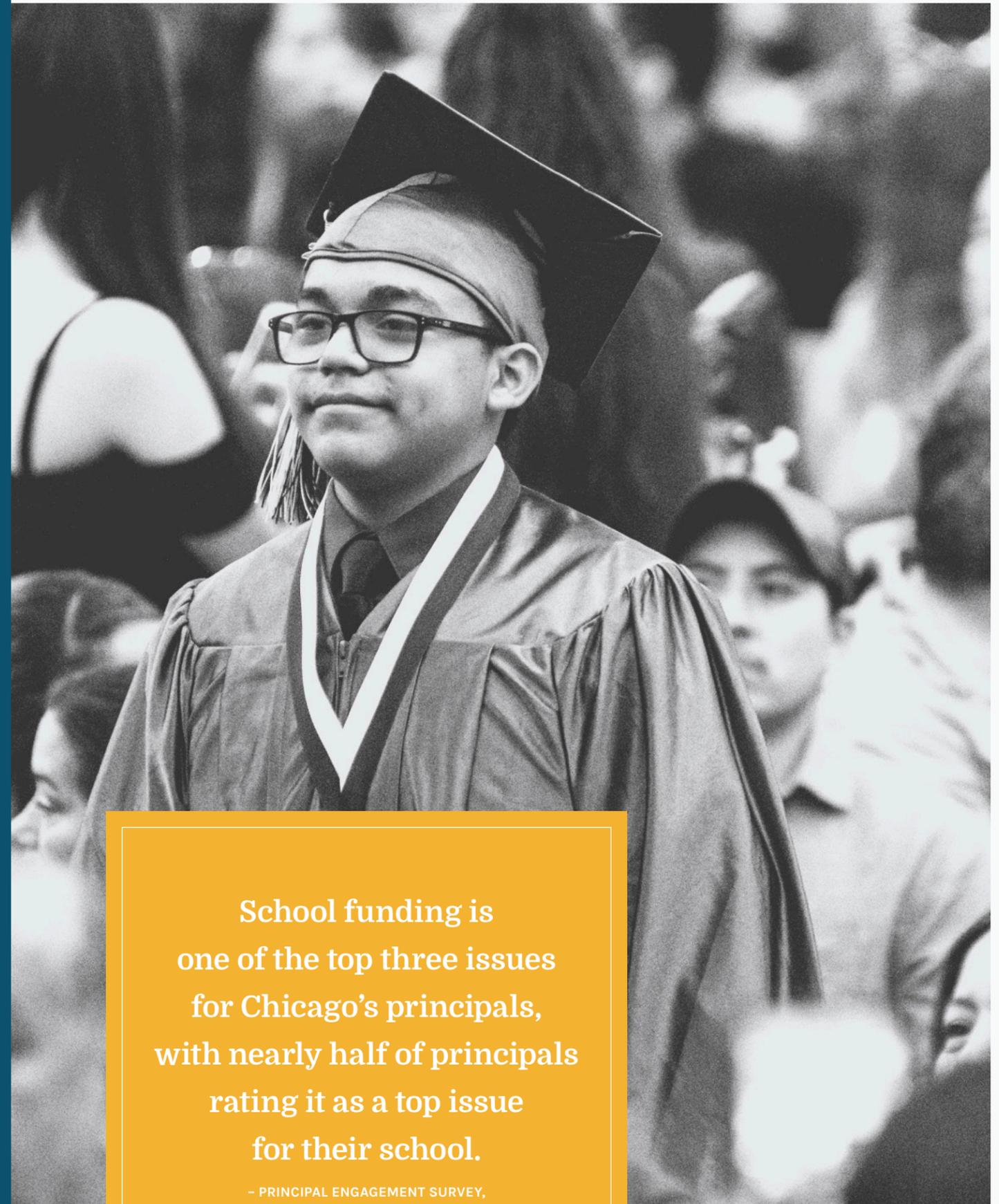
Since 2017, adequate funding has been among the top three issues for principals in our annual Principal Engagement Survey. CPS has made improvements to the budgeting process in each of those years. Increased and more reliable funding cycles have made things easier on leaders. Still, the challenge remains. This report aims to clarify why funding is such a source of stress for our school leaders and to provide a fact base for ongoing discussions about adequacy and equity at the district and school levels.

It excludes deep discussion of the \$800 million in capital funding and the \$1 billion in funding for students with Individualized Education Programs.

The report also excludes discussion on the 142 schools, including charter schools, that are funded through a different formula. Principals leading these schools struggle with budgets, too, but they often experience different challenges in the work. Charter schools, capital funding, and funding for students with Individualized Education Programs also warrant an exploration in the context of adequacy and equity.

Acknowledgments

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**School funding is
one of the top three issues
for Chicago's principals,
with nearly half of principals
rating it as a top issue
for their school.**

– PRINCIPAL ENGAGEMENT SURVEY,
THE CHICAGO PUBLIC EDUCATION FUND



About The Fund

The Chicago Public Education Fund (The Fund) is a nonprofit organization that improves public schools in Chicago by investing in the talented educators who lead them. We are a catalyst for accelerating student learning and a long-standing leader in identifying and scaling what works. For 20 years, we have worked with our partners in the education, nonprofit, civic, corporate and philanthropic communities to redefine what it means to lead in Chicago's public schools.

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