

IEA Awesome Podcast

Episode 8 – Budget and New Education Funding Law

- 00:01 *Kelsey:* Welcome to the Awesome IEA Podcast brought to you by the Illinois Education Association.
- 00:06 *Diana:* The podcast for curious, well-informed Association members.
- 00:09 *Kelsey:* I am one of your hosts, Kelsey Harms, a Computer Specialist from the IEA Program Development Department.
- 00:14 *Diana:* And, I'm Diana Zaleksi, one of your Instructional and Professional Development Directors from IEA Teaching and Learning.
- 00:21 *Kelsey:* The goal of this podcast is to educate our members about important new educational policy initiatives in a brief and, hopefully, entertaining format.
- 00:27 *Diana:* Today, we're going to discuss the budget and new education funding law with our special guest, Erica Lindley, IEA Research Specialist, and Larry Frank, IEA Director of Educational Policy and Research. Erica and Larry, thanks so much for being with us today.
- 00:42 *Larry:* Oh, you're more than welcome. We're looking forward to this. It should be a lot of fun.
- 00:45 *Erica:* Thanks for having us, guys.
- 00:47 *Diana:* So, let's start out with what happened at the end of the last session regarding the budget. Can you give our members a quick explainer on what was passed.
- 00:55 *Erica:* Sure, Diana. The budget for fiscal year '19 which officially started on July first of this year and did include significant new funding for P12 education. Most notably, it included \$380 million for the new evidence based funding model that was put in place last August.
- 01:15 About 300 million of that, maybe a little more than 300 million, will be going toward funding year two of the evidence based funding formula. And, about 50 million will be going to the Property Tax Relief Grant which is a provision of the new school funding law that should provide some relief for communities that have a particularly high tax rate.
- 01:37 So, those two provisions represent the most significant funding for education. There was also \$50 million included for early childhood education as well. Most other funding lines remain flat but those are the major pieces that saw increases for the current year.
- 01:54 The 380 million that came in for evidence-based funding, I should note that does follow the General Assembly's commitment that was made last year to put in at least 350 million in new dollars each year for the next 10 years or the life of the model.
- 02:10 The idea when the new evidence-based funding passed last year was that we knew we couldn't get to the full funding of the model within one year. The cost would just be too

much for the state to absorb based on the current revenue picture. So, this represents a sizable next step in funding the evidence-based formula.

- 02:27 *Kelsey:* So, Larry, I know I've heard a lot about this TRS three percent cap. Was that also included in the budget?
- 02:33 *Larry:* More or less. The budget actually includes two bills every year. There's a budget bill that goes along and says this agency gets "x" number of dollars to spend, this agency gets "y" amount, and so on.
- 02:45 And, then there's a budget implementation bill, or the BIMP, that, among other things, says, ok, that state takes in revenue, it goes into this revenue account and then it gets shifted to this agency account so it can get spent as its been allocated in the budget.
- 03:03 So, while a budget, the budget is a self-standing bill, the money can't get spent until BIMP takes it from the revenue funds into the expenditure funds at the agencies.
- 03:14 Typically, the BIMP will also include any other provisions that the General Assembly has decided are important in helping to balance the budget.
- 03:25 So, this year's big one for IEA members is this 3 percent TRS limitation on raises. It's important to understand that it only affects the years that are going to be used to calculate what's called the final average salary.
- 03:40 So, if you're a tier one member, it's going to be the four years, the four high years of salary of the last 10 years you worked. If you're a tier two member, it's the high eight years out of the last 10 years you worked.
- 03:54 So, it's not that it puts a limit of 3 percent on raises for the entire career, it's just the end-of-career increases that are limited.
- 04:05 In 2005, we changed from no limit to six percent. And, what we discovered in 2005 was that we spent about two years bargaining with school districts where the districts were convinced that no one could get more than a six percent raise. And, then after two years, the districts realized, well, no, it really only affects people at the end of the career.
- 04:28 So, if someone, for example, got a step and moved over a lane and it resulted in more than six percent, as long as it wasn't in those last few years of teaching, it didn't matter. The district was under no requirement to make sort of an extra payment into the TRS system.
- 04:45 We expect that will kind of be the same with the three percent. Probably a year or two of tough bargaining. After that, it will just be part of the system. And, then we'll move on as we always have.
- 04:55 *Kelsey:* That actually really helpful because I was under the impression that it was a three percent cap so understanding that I think will be super helpful.

05:03 *Diana:* Yes, I agree. That's also going to be very, very helpful. What other information do our members need to make meaning out of this information?

05:10 *Larry:* Well, I think most of the member, sort of, contact with this three percent piece will be in bargaining. And, we've already put together a work group. There's an entire website for our UniServ staff to go to get that information.

05:25 The idea is basically we'll make sure the UniServ staff understands the intricacies of the three percent and pass that on to bargaining teams as needed. It's also important to understand that our contracts that are currently in place that may provide for more than a three percent increase, are grandfathered into place.

05:47 And, so, you know, if you're in to a contract and you've already begun on that sort of early retirement path where you're getting five percent or six percent a year, none of that is affected by the new change.

06:00 What happened back in 2005 when we made the change to the six percent, is TRS ultimately did adopt a rule that said, ok, when you get to some year, in this case it was actually 2014, all of the grandfathered contracts had to be done by a date certain.

06:18 We actually expect TRS to take a set of rules to their board in September. It will then go to JCAR, the Joint Committee on Administrative Rules, which is a General Assembly beast. And, in all likelihood, those rules be adopted.

06:32 So, probably there will be a date certain after which none of the grandfathered contracts can happen. For most members, I doubt that there will be a lot of impact except that when you get to the sort of end-of-career increases that we typically have bargained in the contract, those are going to be limited.

06:52 So, the challenge I think for us moving forward in bargaining is to figure out how to get people to the same level of salary that they would have had if you ended, you know, with six percent at the end.

07:04 And, that's pretty simple if you think about it because you just get them there sooner and there's no real additional cost to a district, right? It just redistributes where the money into the career differently.

07:16 *Diana:* So, if our members have questions about current contract they should contact their local president or local UniServ Director.

07:24 *Larry:* Yea, that's right, Diana. They should talk to the UniServ Director. If the UniServ Director has questions we have in place a group that's all set to take those questions in and figure out the answers and get it back to UDs and deal with specific local issues.

07:39 *Erica:* Another piece that members should be aware of is our Cracker Jack legal team put together a great set of FAQ's that been updated a couple of times since this provision went into effect on June fourth and so members can go the IEA Members Only site and take a look at what our legal team put together.

07:57 And, to Larry's point, if there are other questions that people need responses to related to their particular contract and how this provision may apply, if their UD's need some support, I'm here and Larry's here to help with that process.

08:10 Another piece to your question about impact to members, Diana, is while this three percent provision is currently the law, meaning that we need to work with it as it is right now, I do think there will be legislative efforts during the fall veto session and/or the spring legislative session to make adjustments to this law as legislators and our members are learning about the true impact of this piece of the law.

08:34 And, so while we do need to deal with it on its face because this is the law right now, for future contracts, the provisions that affect those contracts may be different if there are legislative changes.

08:44 So, if this is important for members to understand and make changes based on how this may affect their contract, members should be prepared to have those conversations with legislators and engage in the IEA's legislative efforts to make this change.

08:58 *Kelsey:* Is there anything else that happened in the budget or the budget implementation bill that would affect our members that you think our members should be aware of?

09:06 *Larry:* Kelsey, no. There is nothing that I think is going to impact our folks directly. But, I do want to tie the impact of that \$40,000 minimum teacher salary bill that IEA sponsored back to the budget and BIMP.

09:20 All we did was take the existing \$10,000 minimum salary for people with a Bachelor's degree, apply the rate of inflation since nineteen eighty whenever when that was put in place, and it got us to about \$39,850.

09:35 So, we, the \$40,000 minimum teacher salary in current dollars asks for about a \$150 raise. Right? Not an unreasonable amount.

09:46 Quite honestly, we expected that this would take a couple of years of talking to legislators to get people on board and to get it through.

09:54 Interestingly, and I think the teacher shortage has something to do with it, legislators looked at us and said, "Teachers don't all get \$40,000 as a minimum? That's embarrassing."

10:06 We said, "Well, of course it's embarrassing." And, so that bill passed by huge margins in both the House and the Senate. Then, in the BIMP bill, a three percent limit is put into place on earnings, right? Now, granted, end-of-career earnings, but as we talked about earlier the initial reaction of districts is that means no one can get more than three percent.

10:31 Well, a handful of districts, and there are only about 40 in the state that under the first year's number, the minimum salary is actually phased in over a four-year period. One

advantage we have is that next year there isn't any increase, so its not until the 19-20 school year that the first phase in happens.

- 10:52 And there are only about 40 districts whose starting pay is, according to the State Board of Ed's teacher salary study, is under \$40,000. So, there aren't a lot of districts that this will affect.
- 11:01 However, it's probably also true that we're going to find districts where moving someone from where they are on the schedule to where they will need to be to earn the current minimum, will be an increase of more than three percent.
- 11:14 And, so as we've talked to legislators since the end of session, they are scratching their heads saying, "Well, that, we can't have that. We're going to have to figure a way around it." So, as Erica said, I expect we're going to see some exceptions in the three percent.
- 11:29 For example, when the six percent went in we said, "Well, look, if you take a new job inside the district, right, and it's a different job description, you're allowed to go over six percent." That's not in the current three percent limit law.
- 11:43 One of the differences between the six and three was I could choose a new job in a district for six. With three, under the current law, I just have to jump to a different district, take the new job to get that increase.
- 11:56 We won't have to search far to find salary where if someone gets at step and moves over a lane, they will go over the three percent. I think that will be an exception. Certainly, one we're going to talk about. And, dealing with this minimum salary bill and dealing with its impact and the three percent gap is something that we will be following up with in the fall.
- 12:15 *Kelsey:* And, so was the minimum salary bill signed by the governor?
- 12:19 *Larry:* The governor has until I believe its August twenty-seventh or twenty-eighth, I think it went to his desk on June twenty-eighth so he has until the end of August to either sign it into law, do nothing and becomes law, or veto it.
- 12:33 *Kelsey:* Got it. Ok.
- 12:35 *Diana:* I know we just passed a new funding law. Can you give us a brief explanation of about this new law is?
- 12:40 *Erica:* Sure, Diana. I think something to keep in mind here is the conversation around school funding in Illinois has gone on for decades. And there has been momentum in the last three or four years to really tackle the inequities that we see across the state.
- 12:57 The way in which school funding worked before the new evidence-based funding bill passed last was the General Assembly would set what we call a foundation level every year. It was a per pupil amount that local districts had to raise. Generally speaking, for most districts it ended up being a combination of both state and local funds. So, it was property tax dollars that fed into the formula and then if the district wasn't able to

achieve the 6,000 number that was the foundation level for many years, then the state would plug in the rest.

13:27 What that meant was there were several districts that were able to achieve that 6,000 number just through local property tax dollars. And, that then these were districts that were primarily reliant on local property tax dollars while other districts were primarily reliant on state dollars.

13:43 This followed the notion that there was one dollar amount per pupil around the state regardless of the fact that we have 850 districts in the state with unique needs based on their school population.

13:56 *Kelsey:* And very different costs throughout the state as well.

13:59 *Erica:* Absolutely. Absolutely. So, when we think about the costs associated with living in Cairo, Illinois, versus Carlinville versus Springfield versus Chicago versus Evanston. We have a very diverse state and costs are certainly associated with that. So, you're right. The former law didn't take any of those variable into effect.

14:17 The new school funding law which we call evidence-based funding or the evidence-based model, it takes some of those unique pieces of our state into effect. And, basically what the new law does is it allows the dollars to flow through the model to fund particular kinds of kids. The notion being that instead of having a flat dollar amount to apply to all kids, we have to recognize that there are certain populations of our students that simply require more support.

14:44 So, the current formula is driven off of enrollment numbers. And, the way in which it works is for every kid in the district, you get one kid count, one enrollment for each kid. Now if that kid is an English language student, they actually count twice. They count once for being a kid and once because they receive EL services.

15:03 If they are also a low income student then they would actually count a third time. So, we may have one student that's actually counting three times as part of this enrollment count. What then comes out of that enrollment count per district is a ratio of big people to little people and it includes both full-time teachers to support staff who are there to support those populations as well.

15:27 So, there are actually 26 elements in the new school funding law that are driven from research regarding what works best to drive student achievement. And there are all things that we know do work in our schools. So, again, additional support for EL and low income populations. Putting a priority on library and media specialists. Putting money into technology. Putting money into special education. Putting money into kindergartens. So, all of these we know that works in education many of those things are considered variables or elements within the new school funding law.

16:01 *Kelsey:* So, Erica, what does this law mean for our locals?

16:05 *Erica:* For many of our locals it will means they will receive new dollars through the evidence-based formula. I was working with a district several weeks ago that's been an

under resourced district for decades. They will receive over \$800,000 in new revenue through the evidenced-based formula just this year.

16:25 That means they may be able to bring some teachers back that RIFed over time to help them with the 35 plus students in their classes. They may be able to hire their library and media specialist back. They may be able to hire some reading coaches again. So, they may be able to bring some of those programs that they know enrich their student experience back into the district.

16:49 For other districts who are already primarily funded by local property taxes, it probably isn't going to mean much at all in the short term. Now what we don't know is if and when we're going to have some accountability pieces tied into this. The way in which the model works now is the state determines how much you receive through this formula and the idea is that the state will provide one tenth of those resources every year for the next 10 years.

17:18 So, as I mentioned before, this is a long term gain to get us to full funding the idea being the state did not have sufficient resources to fully fund the model in one year so we're now approaching year two of funding the evidence-based model.

17:30 *Larry:* The question about how is this going to impact members is great one because there are a couple of other pieces to this. Erica is absolutely right in that we should be concerned with the ultimate accountability piece. And, we just don't know what that's going to be. Although, conversations I've been part of seem to indicate that the State Board is going to be much more interested in local stories than in sort of statewide benchmarks.

17:55 So, I think they'll be a tension there in a sense because as the debates went on in the General Assembly, some of the hints, and in some cases very heavy handed hints that legislators dropped, had to do with student achievement scores. And, I think the State Board is sort of left to develop the model we're going to see a much more sort of gentle, kinder accountability that will look at, are we bringing students along and not, gee, in three years can you get everybody up to this magic number?

18:27 That would sort of be the old, failed No Child Left Behind done at the state level and, thankfully, the State Board is convinced that isn't how we ought to proceed. The other tension that is inherent in the model that to me is fascinating is that the one around how you split the new dollars that are going to come back to the under resourced districts.

18:46 I mean, Erica is absolutely right. There are many districts that for years that have been cutting staff, cutting programs, just they've cut to the bare bones and the money is now flowing from state resources because it's not available through local taxes and they have to develop a plan for how to spend the money.

19:04 One of the elements of the whole calculation funding it, is when you figure out the cost of a teacher, is that cost is assigned to the model to figure out if I've got so many of this

kind of kids, then what does a teacher cost, is the state average salary for that kind of teacher.

19:22 So, over time, as money goes in to the system, one would expect those state average teacher salaries to rise. So, built in there for our members is kind of an internal multiplier that's going to raise state teacher salaries, at least the averages, across the time.

19:42 Now, that won't do our members who are in well financed districts now a lot of good, but it's certainly going to take our folks who are on the bottom of the salary distribution and bring them up. That's another conversation we're going to have to have with the General Assembly visive the three percent limits because it's possible that putting that money in and looking at funding based on an average teacher salary means those teachers ought to get increases go beyond the three percent.

20:09 That's a fight for another day but, there will be I think a real tension in terms of what do you do with the new money between what programs do I want to bring back or add in, and it's not bad to make sure kids have some of those resources. But the flip side, or the other side of the bargaining, is that it's also going to be important for our members to think about bringing up salaries for existing teachers.

20:33 We've actually this spring done half a dozen sessions with the IASA, the Illinois Association of School Administrators, and with the IFT about how to bargain these new evidence based dollars. And, the administrators have talked about in many cases, gee, the teacher shortage in my district is due in large part to that I can't pay a salary that attracts and retains teachers and we're having trouble just getting a warm body to come in the door and sign a contract because we can't pay them.

21:04 And, so there are at least some of the administrators that are saying this is going to be a great chance for us to ramp salaries up and actually attract quality people to teaching. So, another aspect of the whole evidence-based model over time, we hope, is that it will help bring good people into the professional and keep them there.

21:22 *Kelsey:* That's fantastic. We'll look forward to having you both back to talk about these issues further. Again, thanks so much for coming on the podcast.

21:28 If you have any questions, comments, or feedback, please check out the contact section on the podcast page of the IEA website.

21:34 *Diana:* Thanks so much for being a member and thanks for joining us.

21:36 End

