

# School District Finance

(The Short Version)

January 9, 2018



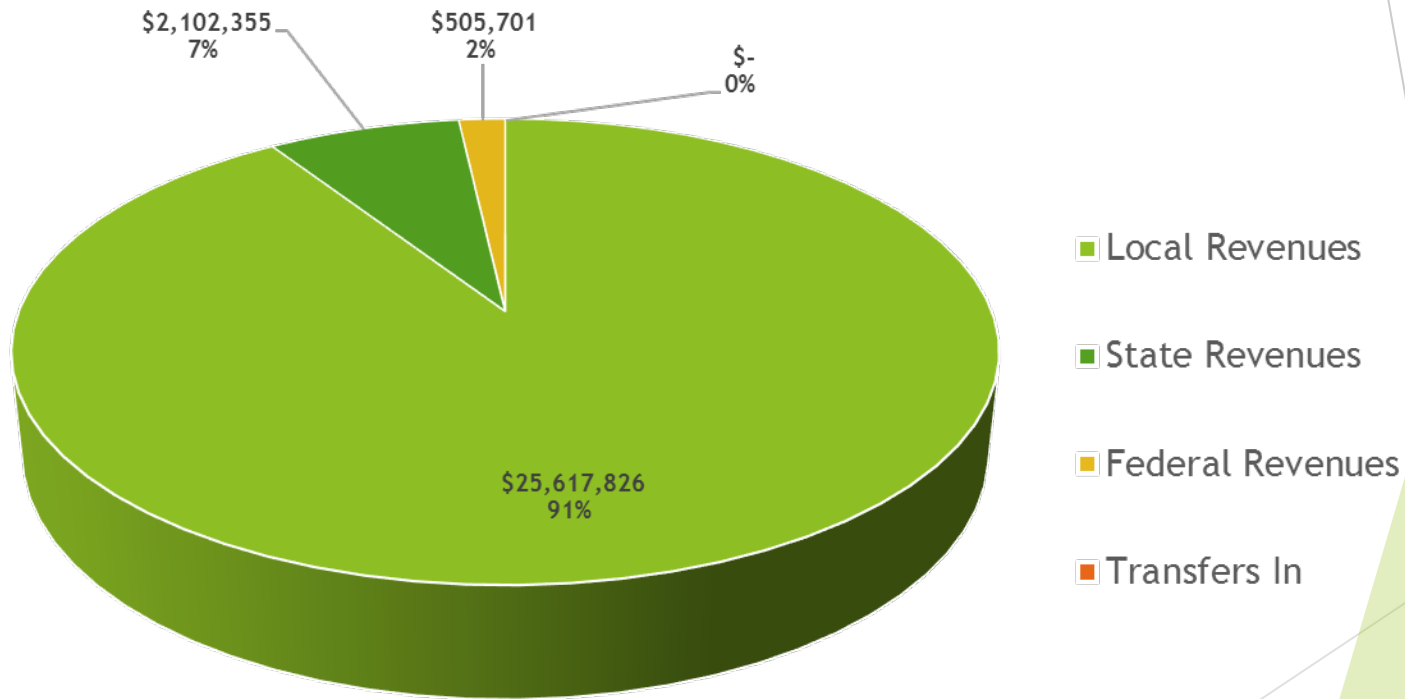


# Revenue Sources

## ▶ State, Local & Federal Financing

- ▶ Local Revenue sources make up the biggest piece of the pie.
- ▶ State Revenue sources include general state aid, categorical grants and other grants.
- ▶ Federal Revenue sources are usually in the form of restricted grants.
- ▶ Other Financing Sources includes bond sales and fund transfers.

# Projected Revenues FY17-18



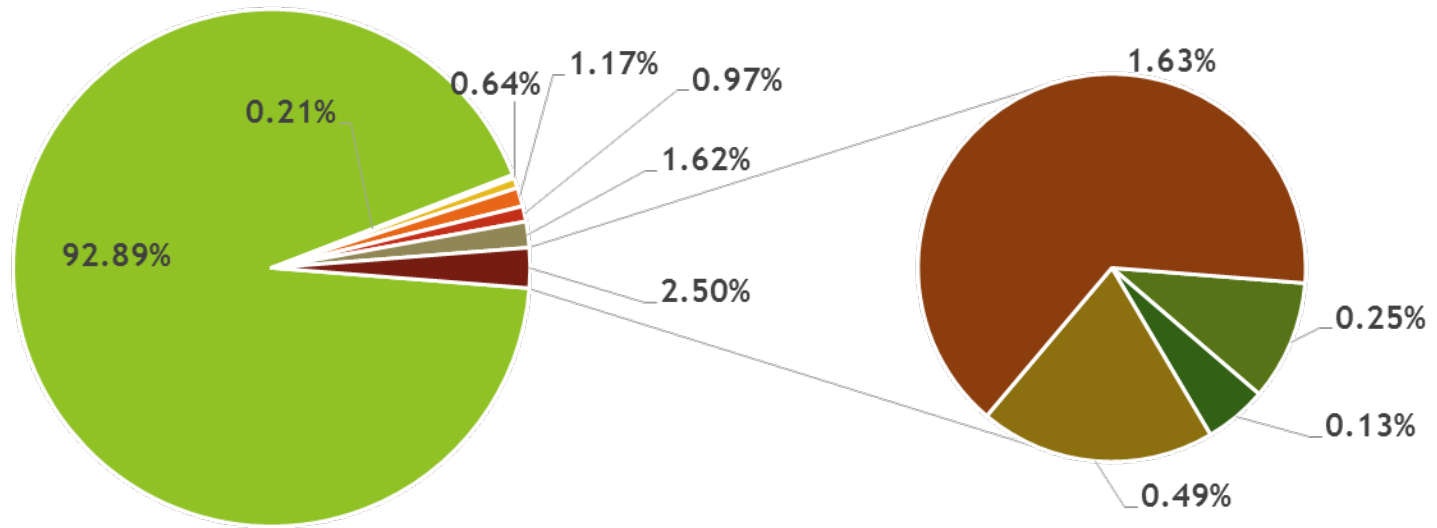
**\$28,225,882 Operating Fund Revenues**

# Local Sources

- ▶ Property Taxes
- ▶ Investment Earnings
- ▶ Corporate Personal Property Replacement Taxes
- ▶ Registration Fees
- ▶ Lunch/Milk Fees
- ▶ Out of District and Pre-K Tuition
- ▶ Rental Fees
- ▶ Donations
- ▶ E-Rate
- ▶ IDEA Funding

# Projected Local Revenues FY17-18

## \$25,617,826



- Property Taxes
- Investment Earnings
- CPPRT
- Registration Fees
- Lunch/Milk Fees
- Tuition
- Rental Fees
- Donations
- E-Rate
- IDEA Funding

# Local Sources

- ▶ **CPPRT**
  - ▶ Tax on net income of corporations, partnerships and trusts.
- ▶ **E-Rate - Reimbursement proportional to the amount a district spends on telecommunication expenses**
  - ▶ Tax implemented on all phone bills
  - ▶ \$117K for FY16-17
- ▶ **Individuals with Disabilities Education Act**
  - ▶ Special Ed funding
  - ▶ \$434K for FY16-17



# The Property Tax Cycle

- ▶ Assessment Process
- ▶ Review Process
- ▶ Levy Process
- ▶ Extension
- ▶ Collection & Distribution
- ▶ PTAB (Property Tax Appeal Board)

# Assessment Process

- ▶ The Township Assessor estimates the fair market value of all real property in the county (by January 1<sup>st</sup> of each year).
- ▶ In Illinois, the Assessed Value (AV) of all real property in each county must equal 33% of the fair market value of all taxable real property
  - ▶ The Assessor multiplies the fair market value of the property by 33% to derive the Assessed Value of the property

$$\text{FMV} \times .33 = \text{AV}$$

# Review Process

- ▶ Board of Review
  - ▶ Property owners may challenge their assessment
  - ▶ Transfer of tax burden to others taxpayers in the district
- ▶ Property Tax Appeals Board (PTAB)
  - ▶ Final level of appeal
  - ▶ Usually corporate filers only
  - ▶ If an appeal is won, the proceeds are drawn from current tax receipts, leaving a deficit in the current year to refund appeals from prior years.
- ▶ Application for Tax Exempt Status
  - ▶ COD- \$222K at risk

# PTAB Appeals

Year	Amount Lost
2008	\$29,675
2009	\$61,331
2010	\$22,786
2011	\$18,159
2012	\$0
2013	\$72,752
2014	None pending
2015	None pending

\$204,703 lost revenue over 8 years

# Levy Process

- ▶ The property tax revenue cycle begins with the estimated tax levy
  - ▶ The tax levy is nothing more than a “request” for funding through local taxes.
  - ▶ The estimated tax levy must be prepared at least 20 days prior to adoption.
- ▶ The final tax levy must be filed by the last Tuesday in December

# Extension Process

- ▶ Property Tax Extension Limitation law “limits” the extension of the real estate tax levy.
  - ▶ Limited to an increase of CPI or 5%, whichever is lower
  - ▶ CPI has historically averaged 2.23% (since tax caps implemented)
  - ▶ A district may ask for 10% increase in the levy, however the county clerk will adjust the levy down to CPI or 5%
  - ▶ Important to levy full amount otherwise revenue is lost forever
  - ▶ **Must capture New Property**, which falls outside of the cap
  - ▶ **All taxing bodies levy the maximum**
  - ▶ D89 operating extension for 2016 was \$23,542,916

# Tax Rates

- ▶ The tax rate is calculated by dividing the number of dollars in the levy by the total Assessed Value of all the property in the District.
  - ▶ The new property in the District falls outside of the tax cap process

Rate 2015	Tax 2015	Taxing District	Rate 2016	Tax 2016
		<b>** COUNTY **</b>		
.1185	96.76	COUNTY OF DU PAGE	.1110	89.78
.0256	20.90	PENSION FUND	.0241	19.49
.0400	32.66	COUNTY HEALTH DEPT	.0364	29.44
.0130	10.61	PENSION FUND	.0133	10.75
.1508	123.14	FOREST PRESERVE DIST	.1417	114.62
.0114	9.30	PENSION FUND	.0097	7.84
.0188	15.35	DU PAGE AIRPORT AUTH	.0176	14.23
		<b>** LOCAL **</b>		
NO LEVY		DU PAGE WATER COMM	NO LEVY	
.0475	38.78	MILTON TOWNSHIP	.0457	36.96
.0751	61.32	MILTON TWP ROAD	.0723	58.48
.0027	2.20	PENSION FUND	.0025	2.02
.0406	33.15	MILTN TWP SPC POLICE	.0411	33.24
.0229	18.70	MILTON TWP MOSQ DIST	.0228	18.44
.1165	95.13	GLN ELLYN SPC SER 19	.1104	89.30
.4192	342.31	BUTTERFIELD PARK	.4027	325.74
.0385	31.43	PENSION FUND	.0380	30.73
		<b>** EDUCATION **</b>		
3.4082	2,783.13	GRADE SCHOOL DIST 89	3.2977	2,667.50
.0928	75.78	PENSION FUND	.0812	65.68
2.4552	2,004.91	HIGH SCHOOL DIST 87	2.3446	1,896.54
.0621	50.71	PENSION FUND	.0584	47.23
.2786	227.61	COLLEGE DU PAGE 502	.2626	212.53
7.4380	6,073.88	TOTAL	7.1338	5,770.54

Mailed to:
Property Location:
Township Assessor:
<b>MILTON</b>
<b>630-653-5220</b>
Tax Code:
<b>5305</b>
Property Index Number:
Unpaid Taxes Due: <b>NO</b>

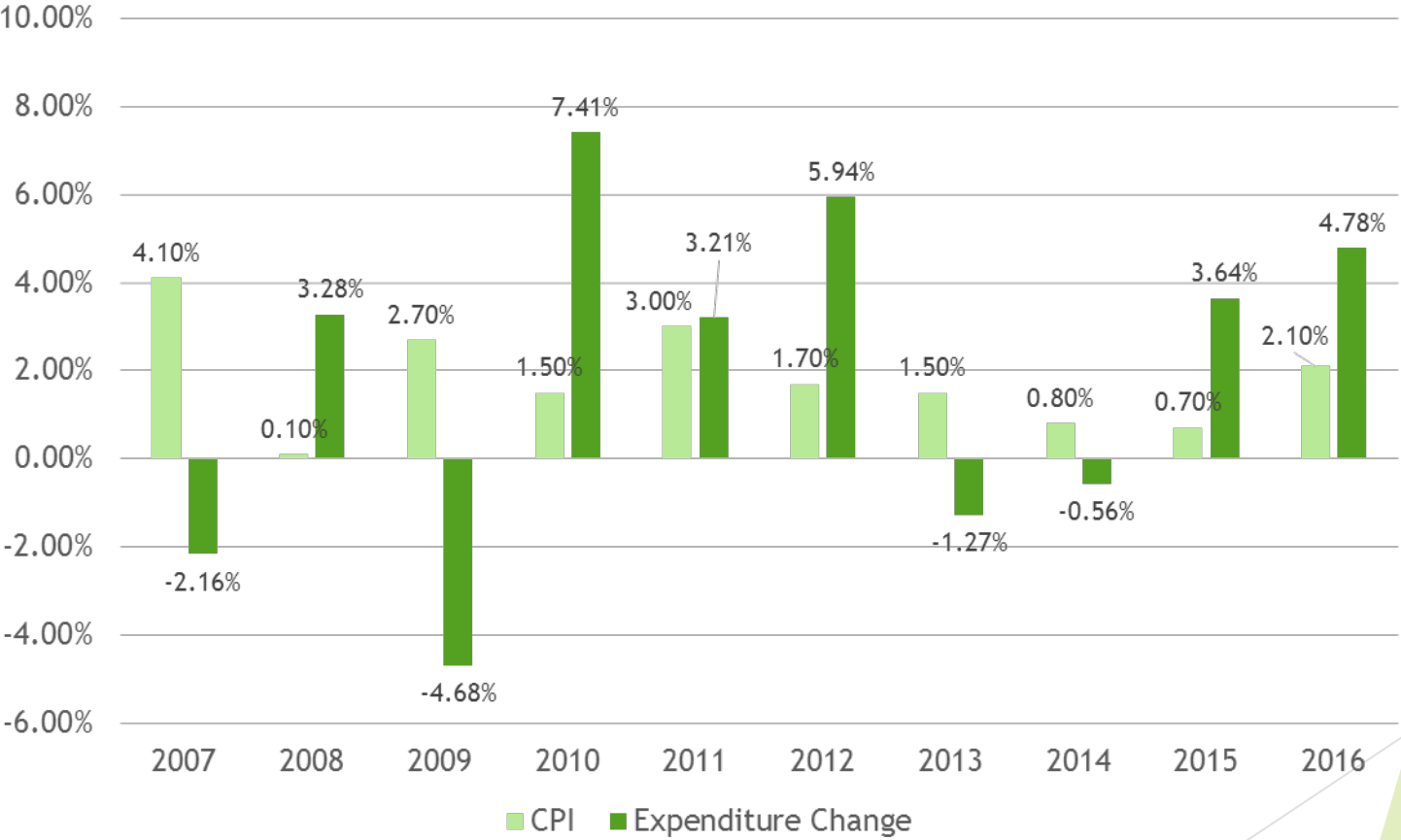
TIF Frozen Value	
Fair Cash Value	<b>275,700</b>
Land Value	<b>15,840</b>
+ Building Value	<b>76,050</b>
= Assessed Value	<b>91,890*</b>
x State Multiplier	<b>1.0000</b>
= Equalized Value	<b>91,890</b>
- Residential Exemption	<b>6,000</b>
- Senior Exemption	<b>5,000</b>
- Senior Freeze	
- Disabled Veteran	
- Disability Exemption	
- Returning Veteran Exemption	
- Home Improvement Exemption	
- Housing Abatement	
= Net Taxable Value	<b>80,890</b>
x Tax Rate	<b>7.1338</b>
= Total Tax Due	<b>5,770.54</b>

**\* S OF A FACTOR 1.0482**  
1st INST PAID MAY 26, 2017  
2nd INST PAID AUG 25, 2017

CHANGE OF NAME/ADDRESS:  
COUNTY CLERK 630-407-5540



# CPI change versus Expenditure change



# Tax Rates-Glenbard Elementary Districts

District	2015 Total Tax Rate
Glen Ellyn 89	3.501
Glen Ellyn 41	3.758
Lombard 44	4.309
CCSD 93	5.095
Marquardt 15	6.513
Queen Bee 16	6.538

# Collection & Distribution

- ▶ Tax bills are mailed to residents and taxes are collected in June and September
- ▶ For any one fiscal year's budget, two different levies are involved.
- ▶ The June tax receipts are not considered useful in paying the bills for the current fiscal/school year.
  - ▶ Most Business Managers focus on the May 30<sup>th</sup> fund balance instead of the June 30<sup>th</sup> fund balance to assess the District's financial condition.
  - ▶ Most districts refer to the June tax receipts as “early taxes” for the next school year.

# State Sources

- ▶ **Special Education Private Facility Reimbursement**
  - ▶ \$131K for FY17
  - ▶ Reimbursement for some expenditures made for privately placed Special Education children in the year after the expenditure is made.
- ▶ **Transportation Reimbursement**
  - ▶ Regular
  - ▶ Special Education
  - ▶ Reimbursement for some expenditures made for Transportation in the year after the expenditure is made.
- ▶ Always subject to “proration” by the Legislature

# State Sources - EBF

- ▶ The passage of SB1947 changed state funding to an evidence based model.
- ▶ Evidence Based Funding (EBF) is a research based model designed to identify the level of funding needed to provide a high quality education to every student in the state

# Evidenced Based Funding

- ▶ Illinois State Board of Education (ISBE) calculates each district's **Adequacy Target**, which is the cost to provide a high quality education per student based on:
  - ▶ 27 essential elements supported by research, including:
    - ▶ Staffing levels
    - ▶ Professional Development
    - ▶ Special Education
    - ▶ Poverty

# Evidence Based Funding

- ▶ A district's percent of Adequacy Target determines how new education dollars will be allocated
- ▶ Goal is to bring every district up to its Adequacy Target
  - ▶ Tier 1: 50% of all new State dollars allocated to neediest districts-funded < 65% of adequacy
  - ▶ Tier 2: 49% of all new State dollars allocated to districts - funded at 65%-90% of adequacy
  - ▶ Tier 3: 0.9% allocated to districts - funded at 90%-100% of adequacy
  - ▶ Tier 4: 0.1% allocated to districts - funded at 100%+ of adequacy
- ▶ D89 is a Tier 4 district
- ▶ ISBE is in the process of recalculating tiers

# Evidence Based Funding

- ▶ CCSD89 will continue to receive \$1.47M in state funding based on preliminary calculations
  - ▶ We will receive this amount each year unless the state reduces its appropriation for education funding
  - ▶ CCSD89 can estimate no new state funding for the foreseeable future
  - ▶ CCSD89's future state funding **MAY** be at risk if the State of Illinois does not appropriate sufficient education funding.



# Federal Sources

## ▶ Title Grants

- ▶ Title I (Low Income) - \$194K for 16-17
- ▶ Title II (Teacher Quality) - \$55K for 16-17
- ▶ ELL/LIPLEP (English Language Learners) - \$8K for 16-17

## ▶ Medicaid Reimbursement

- ▶ \$114K for 16-17

## ▶ National School Lunch Program

- ▶ The district is reimbursed:
  - ▶ \$.36 for each paid lunch sold to students
  - ▶ \$2.82 for each reduced price lunch sold to students
  - ▶ \$3.22 for each free lunch served to students
- ▶ \$152K for 16-17

# Expenditures

- ▶ **Operating Funds**
  - ▶ Education Fund
  - ▶ Operations & Maintenance Fund
  - ▶ Transportation Fund
  - ▶ IMRF/Social Security Fund
  - ▶ Working Cash Fund
- ▶ Debt Service Fund
- ▶ Capital Projects Fund

# Education Fund

- ▶ The greatest variety and the largest volume of transactions are recorded here because the Ed Fund covers all transactions that are not specifically covered in another fund.
- ▶ All direct costs of instruction, health & attendance services, food service programs, all costs of administration and related insurance costs.
- ▶ \$24.6M in FY18

# Operations & Maintenance Fund

- ▶ All costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school purposes, or paying of premiums for insurance on school buildings.
- ▶ Salaries of custodians or engineers and all costs of fuel, lights, gas, water and custodial supplies and equipment shall be charged to this fund.
- ▶ \$2.4M in FY18

# Transportation Fund

- ▶ If an LEA pays for transporting students for any purpose, the Transportation Fund is created.
- ▶ Costs of transportation, including the purchase of vehicles and insurance on busses, are to be paid from this fund.
- ▶ Moneys received for transportation purposes from any source must be deposited into this fund.
- ▶ \$1.5M in FY18

# IMRF/Social Security Fund

- ▶ This fund is created when a separate tax is levied for the purpose of providing resources for the LEA's share of retirement benefits for covered employees.
  - ▶ IMRF and Social Security retirement only
  - ▶ \$700K in FY18

# Capital Projects Fund

- ▶ This fund is used to track expenditures for building projects which are capital in nature and for which bonds were sold to finance.
  - ▶ D89 has no outstanding bond funds remaining from 2008 and 2009 referendum
  - ▶ \$0 in FY18

# Working Cash Fund

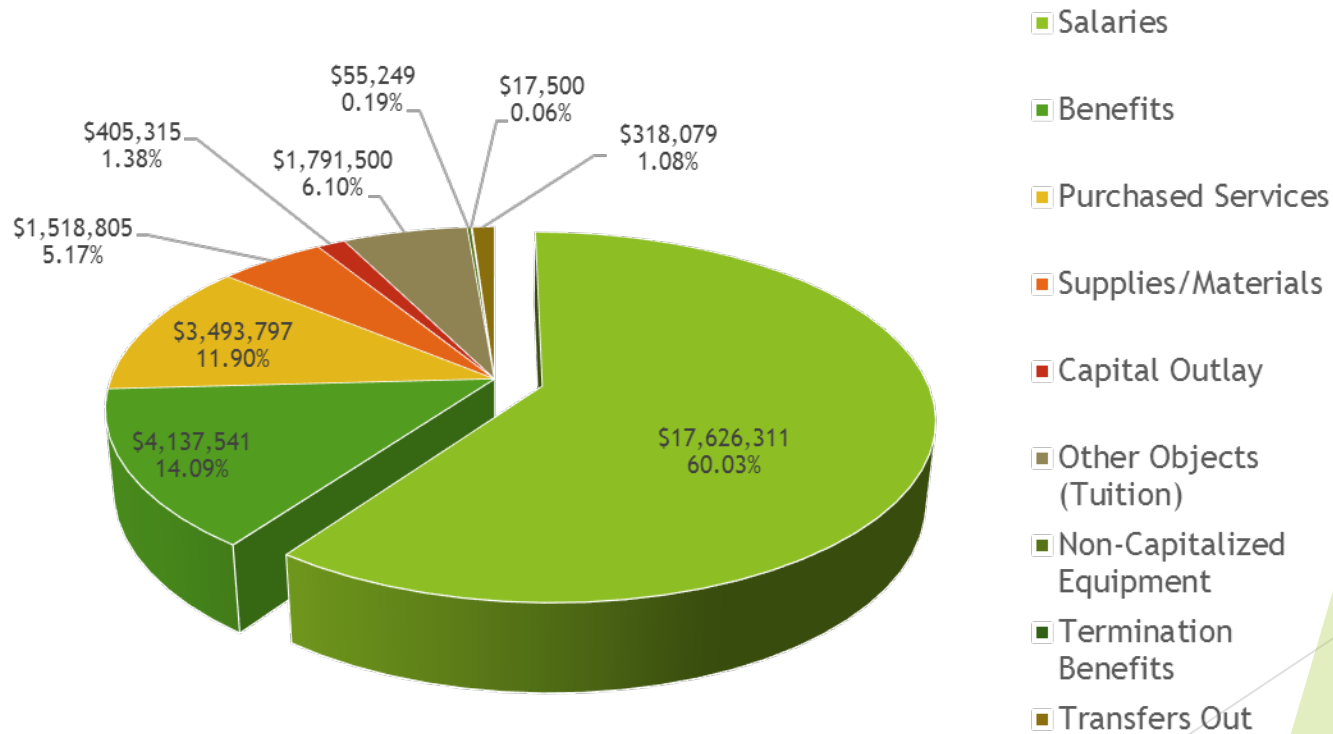
- ▶ If a separate tax is levied for working cash purposes or if bonds are sold for this purpose, this fund is created.
- ▶ Interfund loans from a district's Working Cash Fund may be made to any fund for which taxes are levied to cover temporary shortfalls.
- ▶ No expenditures are allowed other than loans
- ▶ \$2.1M balance in WC Fund



# Expenditure Types

- ▶ Salaries
- ▶ Employee Benefits
- ▶ Purchased Services - Amounts paid for services rendered by personnel who are not on the payroll of the district
- ▶ Supplies & Materials - Amounts paid for material items of an expendable nature
- ▶ Capital Purchases -Expenditures for the acquisition of fixed assets with a life of more than one year
- ▶ Other Objects - Dues/fees, tuition & bond payments
- ▶ Non-Capitalized Equipment
- ▶ Post-Retirement/Termination Benefits
- ▶ Transfers Out

# Projected Expenditures by Type FY17-18



# Deficit Spending

- ▶ Deficit spending occurs when, for a single fiscal year, expenditures are greater than revenues.
- ▶ Deficit spending does not necessarily mean that fund balances have been depleted.
- ▶ If deficit spending occurs for several years in a row fund balances may be depleted.
- ▶ When referring to deficit spending, most districts consider the operating funds only (Education, O&M, Transportation, IMRF/Social Security & Working Cash

# Balanced Budget Act

- ▶ Law requires that Districts currently deficit spending (a.k.a. have unbalanced budgets) submit a plan with their annual budget as to how they will resolve the problem.
  - ▶ Cost cutting measures enacted
  - ▶ Referendum planned
  - ▶ Bonds scheduled to be issued
  - ▶ Outsourcing operations

# Operating Fund Balance History - FY08-09 through FY17-18

## History of Revenues, Expenditures & Fund Balances

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	<i>Audited</i>	PROJECTED
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Beginning Fund Balance	13,622,355	14,309,557	13,514,616	13,858,375	14,413,812	14,355,004	14,413,775	14,584,409	14,380,361	14,272,204
<b>Revenues</b>										
Local Revenues	21,523,408	21,229,198	21,288,084	22,764,232	23,253,434	24,356,190	24,710,077	24,784,857	25,490,938	\$ 25,617,826
State Revenues	2,428,915	1,790,942	2,072,492	2,071,476	2,058,343	2,057,722	1,833,017	1,502,768	1,853,311	\$ 2,102,355
Federal Revenues	514,805	766,000	429,291	370,090	628,105	490,433	589,739	548,252	655,078	\$ 505,701
Transfers In	41,386	21,698	6,150	538,882	0	696,242	229,161	0	0	\$ -
Total Revenues	24,508,514	23,807,838	23,796,017	25,744,680	25,939,882	27,600,587	27,361,994	26,835,877	27,999,327	28,225,882
	-0.33%	-2.86%	-0.05%	8.19%	0.76%	6.40%	-0.86%	-1.92%	4.34%	0.81%
<b>Expenditures</b>										
Salaries	15,467,977	15,232,541	14,858,691	15,245,032	15,594,152	16,276,240	16,196,321	16,275,034	16,830,738	17,626,311
Benefits	2,794,456	3,021,312	3,037,584	3,283,878	3,475,258	3,662,384	3,545,302	3,660,966	3,855,272	4,137,541
Purchased Services	2,792,211	3,125,611	2,755,663	2,611,684	2,788,705	2,897,957	2,786,340	2,966,937	3,433,267	3,493,797
Supplies/Materials	1,225,003	1,267,109	1,114,116	1,573,190	1,477,470	1,487,254	1,648,950	1,765,000	1,729,461	1,518,805
Capital Outlay	238,581	309,776	157,049	601,358	480,435	732,694	662,507	371,311	186,358	405,315
Other Objects (Tuition)	882,865	1,052,750	1,026,728	1,183,544	1,762,065	1,701,314	1,804,143	1,441,282	1,567,813	1,791,500
Non-Capitalized Equipment	0	160,098	110,821	171,542	91,644	451,631	200,809	232,960	179,862	55,249
Termination Benefits	0	14,603	0	13,388	1,170	9,878	24,827	12,338	8,599	17,500
Transfers Out	420,219	418,979	391,606	505,627	327,791	322,464	322,161	314,097	316,114	318,079
Total Expenditures	23,821,312	24,602,779	23,452,258	25,189,243	25,998,690	27,541,816	27,191,360	27,039,925	28,107,484	29,364,097
	-2.16%	3.28%	-4.68%	7.41%	3.21%	5.94%	-1.27%	-0.56%	3.95%	4.47%
Excess/(Deficit)	687,202	(794,941)	343,759	555,437	(58,808)	58,771	170,634	(204,048)	(108,157)	(1,138,215)
Ending Fund Balance	14,309,557	13,514,616	13,858,375	14,413,812	14,355,004	14,413,775	14,584,409	14,380,361	14,272,204	13,133,989
<b>Less Early Taxes</b>	(10,214,889)	(9,841,627)	(10,090,779)	(10,643,071)	(10,734,526)	(11,128,018)	(11,213,972)	(11,604,691)	(11,655,223)	(11,881,963)
<b>F/B less early taxes</b>	4,094,668	3,672,989	3,767,596	3,770,741	3,620,478	3,285,757	3,370,437	2,775,670	2,616,981	1,252,026
Adjusted Ending Fund Balance as a percentage of Expenditures (less early taxes)	17.19%	14.93%	16.06%	14.97%	13.93%	11.93%	12.40%	10.27%	9.31%	4.26%
Adjusted Ending Fund Balance as a percentage of Next Year's Expenditures	58.16%	57.63%	55.02%	55.44%	52.12%	53.01%	53.94%	51.16%	48.60%	
Ending Fund Balance as a percentage of Next Year's Expenditures	16.64%	15.66%	14.96%	14.50%	13.15%	12.08%	12.46%	9.88%	8.91%	

# Takeaways

- ▶ Local Resources are the greatest portion of school funding
- ▶ Education is a people-intensive business
- ▶ D89 is deficit spending and reserves are dwindling
- ▶ School funding creates opportunities for children