



Alton School District hopes to go no further than line of credit, citing budget woes from state funding

by Cory Davenport, Contributing Writer
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ALTON - During the February 2017 meeting of the Alton Board of Education, the board voted to establish a line of credit with Liberty Bank, hoping that measure was as far as it had to go.

This measure was a direct response to as much as \$20 million in lost revenue from the district since 2011. That lost revenue comes from the state's inability to make payments to the district as well as \$9 million lost in operating funds lost since 2010 due to declining property values. Most of that money was destined for the education fund. The district is also working at a loss due to a promise it made taxpayers to utilize bonds issued in 2015 strictly for the restructuring of former debts, vowing not to use those bonds for operations.

A petition movement was made against those bonds, which ultimately fell short of its require signatures, but the district did keep its promise to only use those bonds for restructuring debt. In order to make that transfer, however, the board voted to return funds to working cash, which had been loaned to other funds - primarily the education fund, which covers most classroom salaries and supplies. The board then voted to loan most of the balance of the operations and maintenance fund to keep the education fund positive.

"However, this will not last long as these moves deplete most of the ability we have to loan between funds and the education fund will likely be negative next month, certainly by May," Alton School District Financial Director Christopher Norman said in a release. "The transportation fund is already there."

On a positive note, Norman said the state has continued making general state aid payments, but categorical payments are as much as six months behind schedule. Those categorical payments are used to reimburse areas such as special education and transportation as well as certain grant funds. Because of the lateness of these payments, the district will have a \$3.5-\$4 million hole in its budget by the end of the fiscal year. The district had lowered its \$4.2 million deficit from two years ago to \$2 million this year previous to this announcement.

"The state has pro-rated, or only paid a percentage of, transportation payments since 2011 while this year, general state aid was fully-funded for the first time since 2011, although that is assuming no cuts before the end of the year - which did occur in 2015," Norman said in a release. "The pro-rated transportation payments alone have cost the district over \$4 million in revenue. None of the loans made to the transportation fund would be necessary if it were fully funded. While general state aid is based on a foundation level formula that can be adjusted, the reality is that this level and the formula had never been reduced before 2011. The difference between the pro-rated funding and full funding of general state aid for is district is over \$7 million."

Due to these issues and the district's promise to restrain its bond debt usage, the district has taken a line of credit through Liberty Bank. If the situation gets any worse, however, Norman warned the district may have to issue tax anticipation warrants.

"Either way, we can't get into a pattern of borrowing against future revenues," Norman said. "While it is true that the County Schools Facilities Tax could provide some help, that is minimal in regards to operating fund losses, since it can only be used for facilities items. Its bigger impact will be on reducing current and future debt, and by extension, property tax rates."

Norman said if state funding issues are not addressed within the Illinois General Assembly, the district may have to look at additional options for either increasing revenue or reducing expenses.