

# **Dr. Hightower provides thoughts on District 7 financial future for 2015-2016**

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## **Superintendent's Comments – June 16, 2015 Board of Education Meeting**

Members of the Finance Committee including Chair Jeff Miller and members Dorothy Hummel and Jill Bertels, met prior to the regular Board meeting on Monday, June 15, 2015, to review and discuss the District's current and future financial picture.

An update on District 7 Finances was then presented during the regular meeting to the Board of Education and the public. A summary of the presentation is outlined below.



## **Historical Perspective**

Over the past seven years, the District has continually faced significant budget challenges due to the following:

1. Declining revenue from the State
2. Continued proration of State funding in Transportation, Special Education, and General State Aid
3. Stagnation of EAV (property tax revenues)
4. Increases in employee salary and benefits
5. Additional personnel needed to maintain class size

Many of the decisions approved by the Board were done to avoid:

- Initiating employee layoffs
- Increasing class sizes
- Reducing major programs
- Asking the taxpayers for an Education Fund tax rate increase

The Board was able to accomplish these goals through operating expenditure reductions (over \$12 million), use of cash reserves, bond refinancing, and by approving the issuance of \$9 million in Working Cash bonds.

### **Working Cash Bonds - December 2013**

In December 2013, the Board made the decision to issue Working Cash Bonds and adopt a two-year “band-aid” funding plan. The plan was deemed to be a short-term solution to address projected budget deficits for the 2014-15 and 2015-16 school years in the hopes that the local and state economy would improve.

### **2014-15 Budget Deficit and Beyond**

For the 2014-15 school year, the Board projected a \$3.9 million budget deficit which would be addressed through the use of Working Cash reserves. For the 2015-16 school year, the Board had projected a similar budget deficit of \$3.9 million that would use all remaining Working Cash reserves received from the Working Cash bonds in December 2013.

### **2014-15 Education Fund Budget Deficit**

As the District prepares to close out the 2014-15 school year, the Education Fund budget deficit will be close to \$4.5 million, due mainly to additional unexpected revenue reductions in areas such as: Medicaid, Food Service, and General State Aid. The State law requires that a District's budget be balanced at the end of each school year.

The Finance Committee and Board approved the transfer of \$4.5 million from the Working Cash Fund to "balance" the Education Fund for the 2014-15 school year.

This measure will leave approximately \$3.3 million remaining in the Working Cash Fund to start the 2015-16 school year, which will be used during the 2015-16 school year to address employee salaries, class size, and programs.

### **Operations and Maintenance Fund Balance – 2014-15**

Operations and Maintenance Fund will have no operating fund balance at year-end.

### **Transportation Fund Balance – 2014-15**

The Transportation Fund balance will be eliminated at year-end due to continued funding pro-rations from the State in regular transportation (72%) and the addition of six special education buses.

### **Financial Forecast (July 1, 2015 – 2015-2016 School Year)**

The Finance Committee, Board, and administration have spent time meeting with legislators to discuss the District's financial picture as the State attempts to wrestle with its own financial issues. While the legislators and the Governor attempt to reach an agreement on the State's shortfall of \$3 billion for the 2015-16 school year, and with the FY 16 year scheduled to begin on July 1, remains several unknowns remain, including, how will the State budget will ultimately impact Illinois public schools, including District 7.

### **2015-16 Revenue**

Legislators have approved and sent to Governor Rauner an Education budget that includes:

- An increase in the pro-ratio of General State Aid funding from 89% to 92%, an approximate increase to District 7 of \$300,000
- An increase in Special Education and Transportation funding, which will provide the District an additional \$100,000

In addition, the District's local Equalized Assessed Valuation (property tax revenues) for the 2015-16 school year will see a 1.5% growth rate, or an additional \$500,000 in operating funds. The District expects no change in Corporate Personal Property Replacement (Business) funding due to unchanged growth.

In summary, the District anticipates approximately \$900,000 in additional revenue in 2015-16 over what was received during the 2014-15 school year. The Board and Finance Committee are cautiously optimistic that the anticipated revenue from the State will be approved by the Governor as part of the 2015-16 state budget. In addition, while the District is seeing a slight increase in its EAV, it also continues to see more and more property tax appeals.

## **2015-16 Expenditures**

Below is a brief overview of the District's projected expenditure increases for the 2015-16 school year.

- Employee salaries and benefits (over 80% of the District's total budget) - \$600,000
- Additional Education and Operation & Maintenance Fund expenses - \$200,000 in areas such as utilities, software renewals, contracts, etc.
- Transportation Fund - \$100,000; 2.5% contract increase

## **2015-16 Summary**

Projected revenues and expenditures for the 2015-2016 year will offset. However, the District's operating budget deficit for the 2015-16 school year will still be approximately \$3.9 million, depleting all remaining cash reserves by the end of the 2015-16 school year.

The Finance Committee will work closely with the administration over the next few months to discuss and review options to address the continuing revenue shortfall and financial deficit facing the District.