

Financial Information Dallas ESD #327 - FY 2011

Over the past several months I am sure you have listened to and read many news reports regarding the financial crisis that has engulfed the state of Illinois. We are in the middle of the largest State budget deficit in Illinois history. The financial crisis has also been a major topic of discussions at many school board meetings, and also at various conferences and seminars that board members have attended. The school board is very concerned about the impact this financial crisis will have on school funding. This communication is an effort to provide an overview of how this financial situation may impact Illinois' public education system, and therefore also impact Dallas Elementary School District #327. I will begin with a brief overview of sources of funding for public education in Illinois, and then address related areas that are associated with the topic.

Illinois' public school districts, including Dallas Elementary School, operated using funds from three main sources. These include (1) State revenue (2) local revenue, mainly property taxes, and (3) Federal revenue. Generally our funding percentages are approximately:

	<u>DESD #327</u>	<u>Statewide</u>
State	43%	34.6%
Local	38% ¹	56.6%
Federal	19%	8.8%

Our somewhat higher than state averages for State and Federal funding is mainly due to a relative high number of low income students.

We anticipate that local and federal revenue for the coming school year, fiscal year 2010-2011 (FY11) will remain similar to the current year. Note: a fiscal year (FY) for school districts runs from July 1 through June 30. The tax levy adopted in December of 2009 included an increased request for funding. And, the federal government has a greater amount of control over dollars available for education than do state governments, thus providing a relatively stable flow of revenue from the U.S. Department of Education (ED).

It is however the 43% to 45%, in some years close to one-half, of our funding from the state that is of greatest concern. Of the approximately \$1,130,000 we hope to receive in state funding this year, over \$900,000 of that is in the form of General State Aid (GSA).

During the past school year, fiscal year 2009 (FY09), the GSA revenue was sent to us in 22 relatively equal payments. Of that amount five (5) of the 22 payments, just over \$200,000 came as a result of American Recovery and Reinvestment Act (ARRA) funds provided to Illinois by the Federal government. Again this year (FY10), a similar amount of our GSA will be provided as a result of the state receiving ARRA funds. Statewide this amounted to filling a \$1 billion gap in the State's budget for two fiscal years (\$1 billion/yr).

For FY11 there are currently no indications that additional ARRA funds are forthcoming. And, while the Illinois' General Assembly has returned to regular session in February, 2010; the State currently has no plan in place to account for the \$1 billion loss of ARRA revenue. Therefore, no State plans exist to account for the approximate \$200,000 in GSA payments for the operation of Dallas Elementary District 327. Also, we have learned that Illinois' revenue for the current fiscal year FY10 is less than anticipated; and that GSA payments may need to be prorated (reduced) for the remainder of the year.

While we are receiving GSA payments, again our main source of state funding, in a timely manner, the same is not true of other state programs in which our district participates. Some of these, commonly referred to as mandated categorical programs (MCATS), are running behind in payments to the district. In some cases we have received only one of four scheduled payments, the first of which were scheduled for disbursement in September 2009. This payment was received in January 2010, nearly 4 months later than anticipated. Clearly, revenue is not flowing to the State in order for scheduled and timely payments to be made and received. In fact, in the previous fiscal year FY09 some of the MCAT payments were not received until the current fiscal year, FY10.

Thus far we have looked very briefly at just a few, though very significant, aspects of public school funding in Illinois. With potentially significant reductions in State revenue looming on the horizon, it is important that we look at the other side of the financial equation, which as we know involves district expenses. Financial data that we are reviewing for this communication focuses mainly on information from July 1, 2007 forward; this being the date the unit district to elementary district conversion occurred, and Dallas Community Unit School District #336 converted to Dallas Elementary School District #327.

The expense budget for Dallas Elementary School District (DES) #327 is approximately \$2,600,000. And, given the possible reductions in State revenue it is necessary to search for potential areas where corresponding expense reductions may be feasible. The DES operates through seven basic funds that include Education, Operations & Maintenance, Debt Service, Transportation, Municipal Retirement/Social Security, Tort, and Fire Prevention & Safety. The following table shows the approximate percentages for each of these funds in the FY09 financial report (audit).

Education	77.84%
Operation. & Maintenance	8.93%
Debt Service (bonds)	2.20%
Transportation	6.47%
Municipal Retirement & Social Security	2.74%
Tort	1.41%
Fire Prevention & Safety	0.40%

While the percentages vary somewhat from one district to another across the state, these percentages for DES are not uncommon. You can see that the education fund, as it should be, has the highest percentage of expenditures, and accounts for approximately \$1,878,000 of the total FY09 budget. Of this total education fund amount, approximately 80%, or \$1,510,000 is expended on salaries and benefits (health insurance and retirement). Salaries and benefits represent approximately 33% of Operations & Maintenance, and 42% of Transportation fund expenses.

Over the past few years the district has made an effort to balance the budget by making various adjustments to both the revenue and expense sides of the financial equation. As indicated by the ISBE School District Financial Profiles, we have benefited from those efforts. The most recent DES #327 financial profile score set at 3.8 on a 4.0 scale. However, given the State's budget deficit and the uncertainty of funding, we will be faced with some difficult decisions regarding the future of our school programs for the remainder of FY2010 and FY2011.