

Waterloo CUSD5 2010-11 Budget Discussion

Regular Board Meeting
Monday, February 22, 2010

Presentation Overview

- Our numbers
- Briefly review revenue challenges facing us
- State of Illinois funding crisis
- Forecasted deficit – FY 2011 = \$1.4M
- Review planning process
- What's next

Financial Data

Waterloo CUSD5 (Waterloo, Illinois/population 10,000). Located in Monroe County. Enrollment: 2,806; Recipient of *SchoolSearch* “Bright Star” Award for Educational Excellence (12 years). Awarded to school districts whose academic performance is in the top third, but expenditures in lower one-fourth. Our expenditures fall an average of \$2,300 less per student than the state average. Even with that fiscal conservatism, the first year, since 1998 that we had a “balanced budget” was 2006, and since then we have steadily increased our financial ranking from Early Warning to Recognition in FY09. We have kept our school tax rate consistently low for our taxpayers...in fact, out of the 40 school districts in Madison, Monroe, and St. Clair Counties, Waterloo CUSD5 ranks **6th lowest** at \$4.12!!

Financial Data

- Average Expense per Pupil (State of Ill.) = \$10,417 → Average Expense per Pupil (Waterloo) = \$8,115
- Average Expense per Pupil (Monroe Cty.) = \$8,225 → Average Expense per Pupil (Waterloo) = \$8,115
- Foundation Formula Guarantee (State of Ill.) = \$6,119 → Foundation Formula Guarantee (Waterloo) = \$1,476
- State Financial Ranking (Profile Score) = Watch, Early Warning, Review, and Recognition → State Financial Ranking (Profile Score) = Recognition /97 days of reserves

TAX RATES

2009-2010 Budget

As of February 22, 2010, the State of Illinois is late on payments to the Waterloo district in the mandated categorical payments Special Education (\$606,996), Transportation (\$670,514), Early Childhood (77,930), and ADA Block Grant (\$24,038). This is revenue that is legally DUE and EXPECTED as the district develops its budget. Late or pro-rated payments from the State of Illinois is putting the district in fiscal distress!!

I.O.U. Waterloo CUSD5

\$1,379,479

Mandated Categoricals

-State of Illinois-

Revenue Challenges

- Shortfall from the 2009-2010 Fiscal Year (Mandated Categoricals: \$1,379,479)
- Local property growth (Flat Equalized Assessed Valuation (EAV) projected due to 2009-10 multiplier)
- State educational funding (No increase/possible DECREASE in 2010-11 Fiscal Year)
- ARRA stimulus funds – short term solution (\$337,501 went to paraprofessional salaries)

State Educational Funding

- July 15 – legislature approved state budget
 - Mirrors 50% budget for the entire year
 - General State Aid foundation increase at \$160 per student
 - **New revenue source by mid-year or budget cuts**
- Some categoricals reduced to 90% and programming cut
- Illinois' more than \$13 billion budget deficit puts it in the top three states nationwide
- The current state budget totals \$67 billion, most of that is federal money the state doesn't really control or authority for long-term construction projects
- Really only about \$28 billion to work with when reducing the deficit

The education of children with disabilities is a critical component of our educational responsibilities...not only the moral action to take, but also the state and federal government have made it critical through laws and mandates...unfunded mandates. We are a leader in the response to intervention initiative in Southern Illinois...we understand prioritizing and front-loading resources...but these are local resources, not funding from the state or federal government. We have to do it ourselves...

Utilizing our district audits over the last ten years (not counting transportation; ed. fund only): Waterloo CUSD5 (370 spec. ed/2,800 total). The difference between expenses and revenues:

FY09	- \$1,905,943
FY08	- \$1,760,780
FY07	- \$1,460,796
FY06	- \$1,480,728
FY05	- \$1,263,557
FY04	- \$1,090,519
FY03	- \$1,066,607
FY02	- \$1,194,376
FY01	- \$999,704
<u>FY00</u>	<u>- \$690,706</u>

A negative \$12,913,716 in the last 10 years!

State Educational Funding

- Illinois Constitution: “*the state has the primary responsibility for financing the system of public education.*”
- State has shifted the education funding burden to local taxpayers.
 - For perspective, in FY2010 the state is projected to fund only 21% of our budget compared to 50% in FY2000.
- Concern: lack of adequate special education funding, unfunded or under-funded mandates, late mandated categorical payments and uncertainty about the funding of General State Aid. MANDATES

State Educational Funding

- Illinois special education funding covers a majority of the mandated categorical payments (Special Education Extraordinary, Special Education Orphanage, Special Education Personnel, Special Education Private Tuition, Special Education Summer School, and Special Education Transportation).
- Serious concern regarding state special education funding is that the payments have traditionally been late or may become extinct in current economic times. This forces school districts to assume responsibility for the shortfall.
- Special education is grossly underfunded by both the Federal and State Governments.
- The total FY10 special education budget for the Waterloo CUSD5 is \$3,826,572. Dollars available to educate and provide services to special education students amount to 22% of our Education Fund. This is approximately \$1.9 million above targeted revenues received; monies are pulled from other programs/services.

Common Misperceptions about the General State Aid Foundation Level

- The GSA Foundation Level is frequently misunderstood by voters and policymakers alike. The following are some of the most common misunderstandings, and the corresponding reality:
 - Myth 1:
 - The Foundation Level is the amount of money the state pays per child for education.
 - Reality:
 - The state does not pay the full Foundation Level. Instead, the Foundation Level is the minimum per child expenditure a school district is supposed to receive, FROM A COMBINATION OF STATE AND LOCAL PROPERTY TAX RESOURCES. The GSA formula determines how much of the Foundation level the state will pay, after accounting for local property tax revenue contributions ; the State pays Waterloo: \$1,476.

Common Misperceptions about the General State Aid Foundation Level

- Myth 2:
 - The Foundation Level is the total amount expended per child on education in Illinois.
- Reality:
 - The Foundation Level is only the starting point for determining how much will be spent on a child's education by any school district. The Foundation Level rate represents the minimum level of per pupil financial support that should be available to provide for the **basic education** of each pupil. Other items, such as mandated categoricals (e.g., special education, transportation), poverty grants, federal funding and capital expenditures are added to Foundation Level expenditures, to determine the total amount that a district will spend per child.

Common Misperceptions about the General State Aid Foundation Level

- Myth 3:
 - The Foundation Level is what it costs to provide a quality education.
- Reality:
 - The current Foundation Level is not at all tied to any actual costs of education. The first real attempt to derive a Foundation Level tied to the cost of meeting a specified measurable, educational goal was done by Education Funding Advisory Board (EFAB), which tied its recommended funding level to the cost of having two-thirds of non-at-risk children pass the state's standardized tests. The FY 2010 Foundation Level is almost \$1,169 less than EFAB recommended \$7,288. The current foundation formula was implemented in 1998 to “equalize the funding” within the state...that only works at the EFAB funded rate. It should make no difference where a child lives, educational opportunities should be the same for children throughout the state. **Today it is NOT. It depends on the district’s local wealth.**

General State Aid Foundation Formula

The General State Aid formula balances a district's local wealth with the foundation amount assigned by the State Legislature. Within the formula are provisions for local wealth (EAV) and average daily attendance. The foundation formula entitlement also includes a poverty factor. In Waterloo, the foundation formula determines the local match is 71% of the \$6119 (\$1,476), and we receive \$4,026,679.

As a comparable to the existing \$6,119, the EFAB recommended foundation level (\$7,288) would increase the state's allotment by \$3,089,678... a truer picture of need. This would in turn, lower the school tax rate, and provide relief for property owners.

2009-10

Foundation Level	Total @ \$6,119	EFAB Total @ \$7,288	Difference
Foundation Level X ADA	\$16,172,578	\$19,103,676	
Available Local Resources	\$12,269,537	\$12,269,537	
Foundation Formula Entitlement	\$4,026,679	\$7,116,357	\$3,089,678

Due to the fiscal situation within the State of Illinois, the discussions of the General Assembly have been primarily at “flat funding”, or an actual “decrease” for FY2011. The illustration below depicts flat funding for 2010-2011...and Waterloo CUSD5 is projected to lose \$1,109,263 in General State Aid. This is due to the slight increase in EAV and the reduction in average daily attendance (partially due to H1N1). This is a great example of how the state formula works against school districts. We hire staff based upon enrollment, not attendance. We cannot lay-off employees due to student illness.

Catastrophic loss to General State Aid is projected if the state legislators cut the foundation amount to \$5,500. Waterloo CUSD5 would lose approximately \$2,700,000 in state funding; putting our district in dire financial straits. This would cause the evaluation in the elimination of programs not required by School Code.

2010-11

Foundation Level	2009-10 Total @ \$6,119	2010-11 Total @ \$6,119	2010-11 Total @ \$5,500
Foundation Level X ADA	\$16,172,578	\$15,725,462	\$15,725,462
Available Local Resources	\$12,269,537	\$12,942,588	\$12,942,588
Foundation Formula Entitlement	\$4,026,679	\$2,917,416 (\$1,109,263)	\$1,326,624 (\$2,700,055)

Revenue Challenges

- Level State Funding
 - Forecasted deficit – FY 2011 = \$1.4M
 - (General State Aid + AARA)
- Decrease in State Funding
 - Forecasted deficit – FY 2011 = \$3M
 - (General State Aid + AARA)
- Local Funding Remains Level
 - Projected – FY 2011 = \$12M

Deficit Management

- Level State Funding
 - Forecasted deficit – FY 2011 = \$1.4M
- Administrative Recommendations
 - Administrative team and building administrators asked to identify potential reductions (+5%)
 - Goal: Eliminate projected FY 2011 deficit of \$1.4M
 - Selected a combination of reductions that minimize the impact to the academic programs
 - Finance Committee Recommendation in March
 - Reduction in Force at March Regular Board of Education Meeting
 - Meets Legal Deadline/ Allows for timely discussions

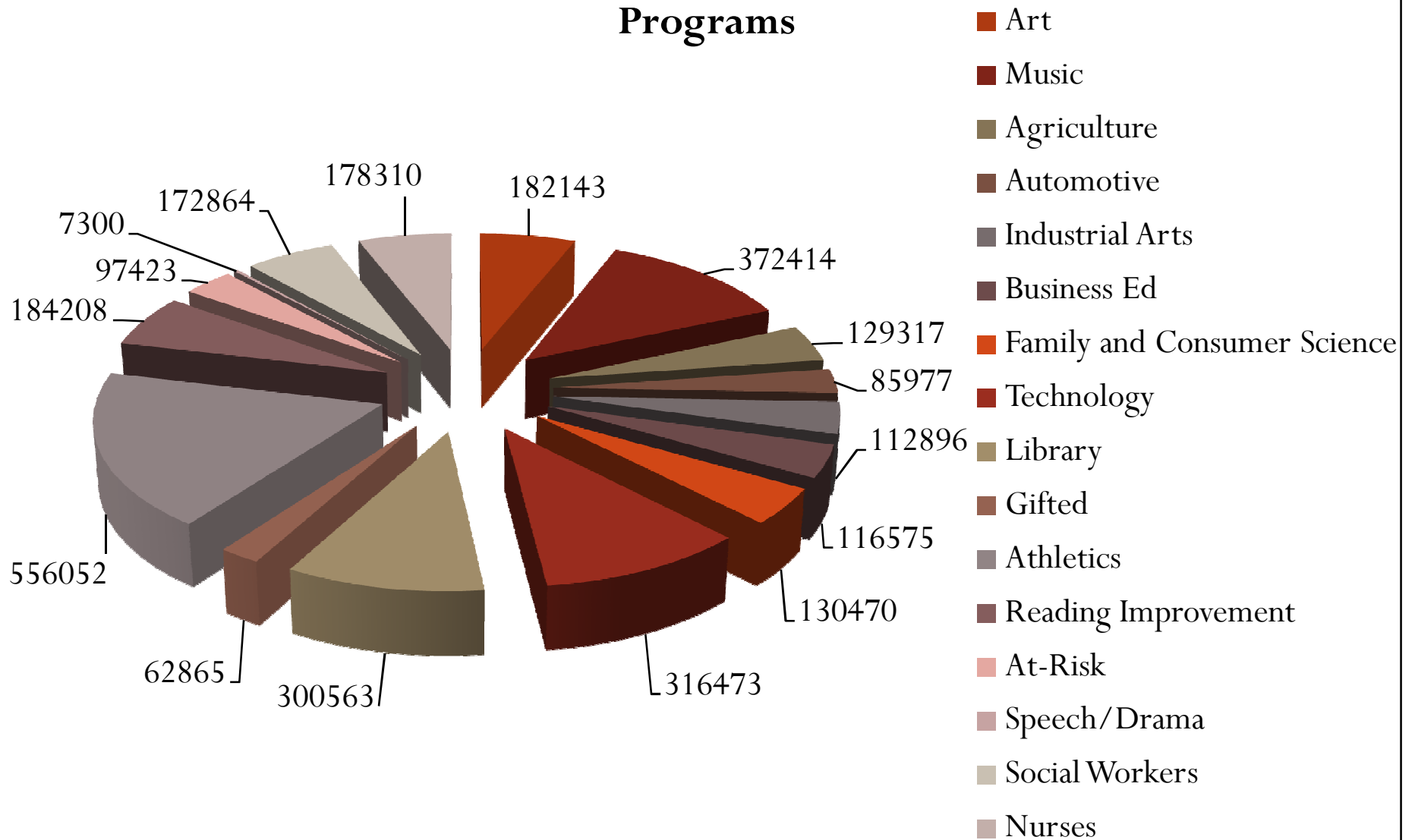
Deficit Management

- Decrease in State Funding
 - Forecasted deficit – FY 2011 = \$3M
- How Much Is \$3M in WCUSD5 Budget?



\$3,005,850

Programs



If the General State Aid were reduced in FY11 to \$5,500, our projected losses would be \$3million. The local share would jump to 91% within the general state formula! In a community that realized five years ago that the minimum \$1.84 was not supporting the education of its children in the education fund, voted to increase its tax rate to \$2.19, and now the educational programming we have implemented “*to make a positive difference in the lives of children*”, is now at risk of being destroyed by poor decisions in Springfield.

We have currently decided to reduction-in-force (RIF) all non-tenured certified teaching staff (42), and 15 paraprofessional aides tied to special education IEPs. This year, it is projected we will spend \$1.6 million more on special education than we receive revenues.

Over the past years, we have heard from our lawmakers in Springfield they delayed making decisions regarding the fiscal crisis in the state, and public education funding. Locally we have maximized our resources, made value-based decisions, and passed balanced budgets the last four years...even to the point [with our long term debt] of gaining Financial Recognition within the state. We have done what the State has asked: fiscal management, student achievement, maximized local control...and yet, after five years of working towards this goal, in one legislative session...*poof!*

How do we explain to our community why the children in Waterloo will suffer? We ask you to please contact our legislators in Springfield, and ask them NOT to balance their budgets on the backs of children!!

[Legislative Contacts](#)