



Citizens' Advisory Council

Finance Committee



Understanding District U-46 Finances

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Approved by CAC Executive Committee 20 March 2014

Approved by CAC General Council 10 April 2014

Introduction

At first glance, school finance seems to be full of difficult terms, excessive financial data, complicated formulas, and hard to understand state and federal laws that are all somehow connected to state and local politics. Each school district has multiple sources of revenue; dollars are allocated among multiple funds; and mandates, labor contracts and grant requirements often restrict how money can be spent. The Finance Committee of the Citizens' Advisory Council (CAC) has created this document to present a simplified version of U-46 finances. It aims to explain where money comes from, how it is spent, and how it is distributed among various funds. The document also attempts to answer common questions citizens have about District finances.

The members of the Finance Committee include:

Kevin Sweeney (Chair) – Lowrie
Evette Davis – Abbot Middle School
Angie Hayes – Bartlett High School
Harshnil Patel – Timber Trails

Dale Burnidge serves as the District liason to the Finance Committee.

Where did we get our information?

The Finance Committee created this document with information provided by District staff as well as material from the U-46 District website. Financial information from the 2013-2014 school year was used in this document.

What is the Citizens' Advisory Council?

The Citizens' Advisory Council is a group of volunteer parents and citizens who live within the district boundaries and advise and assist the Board of Education and administration in the ongoing effort to provide the best educational opportunities for all students within U-46. CAC offers volunteers the opportunity to learn how the District works at monthly meetings and to work on projects related to improving the school district through committees that make formal recommendations to the Board and administration.

Revenue

Where does the money come from?

District revenue is generated from:

- **Property Taxes**

A tax based on a property's value and a changing tax rate. Levied taxes are collected from Cook, DuPage, and Kane Counties twice each year. These monies account for approximately 63% of all U-46 revenue.

- **General State Aid (GSA)**

The amount of money school districts receive from the state based on a formula. Components of the formula include the foundation level, the district's equalized assessed value (EAV) and pupil attendance. State Aid is intended to guarantee that all districts have available a certain amount of dollars per student, but aid varies from district to district. GSA is regularly remitted every month to U-46.

- **State Categorical Aid**

Money earmarked for a very specific purpose, need, or student population. Categorical programs that receive support include special education, bilingual, vocational, early childhood, transportation and numerous other categories. Funds are supposed to be received from the state on a quarterly basis, but lately payments have been less frequent due to condition of the state's finances.

- **Federal Aid**

Annually school districts apply for and are awarded various federal grants. The money can only be used for a very specific purpose or need. Federal funds are used for Title 1, Free and Reduced Lunch, and Special Education/IDEA. Federal money is remitted on a monthly basis.

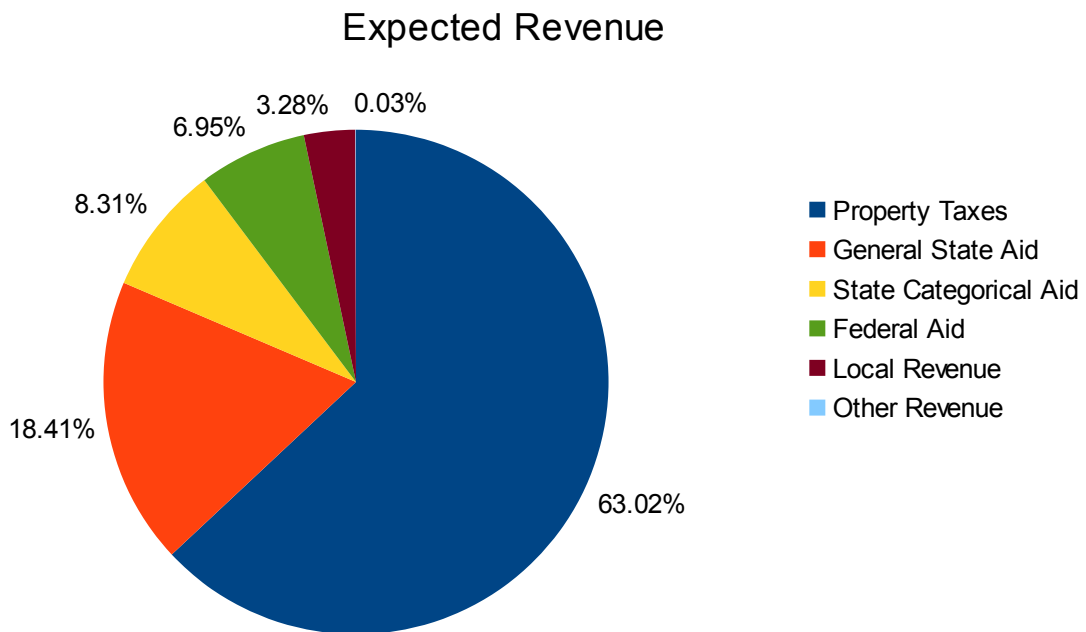
- **Local and Other Revenue Sources**

These sources include district tuition, instructional material fees, corporate personal property replacement tax (a corporate tax tied to profits), interest on investments and other miscellaneous items.

Note: State payments to the Teachers' Retirement System on behalf of the District are excluded from this report because the District does not receive or disperse this money. For 2013-2014, this amount is expected to be \$52,500,000.

This table and chart detail Expected Revenue for the 2013-2014 fiscal year.

Revenue Source	Percentage	Expected Revenue 2013-2014 Budget
Property Taxes	63.02%	\$294,205,832
General State Aid	18.41%	\$85,966,976
State Categorical Aid	8.31%	\$38,810,892
Federal Aid	6.95%	\$32,446,473
Local Revenue	3.28%	\$15,292,616
Other Revenue	0.03%	\$150,000
Total Revenue	100.00%	\$466,872,789



Expenses

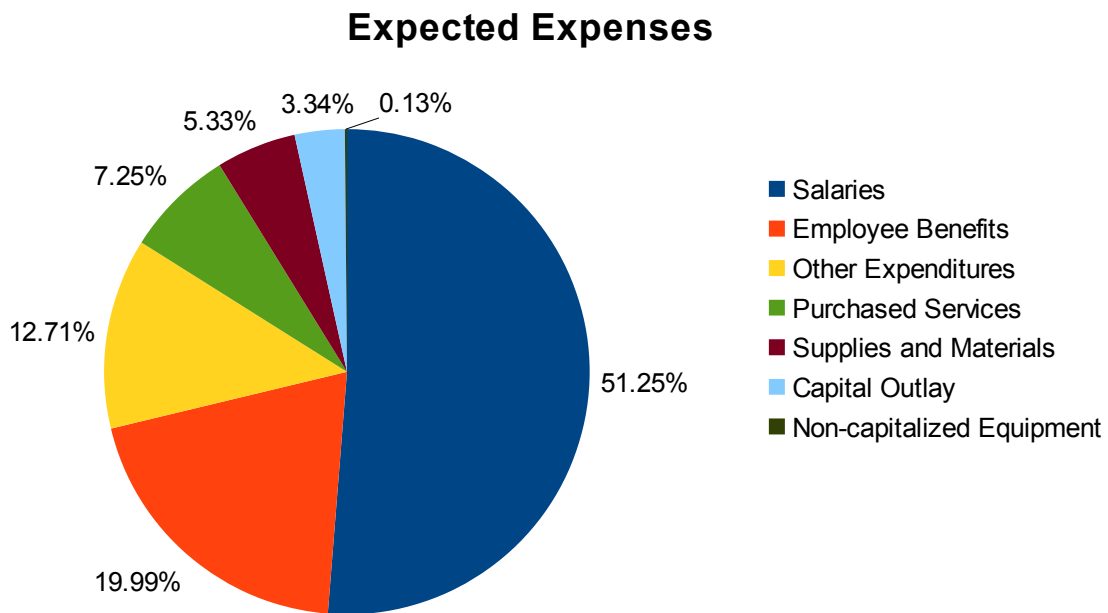
How is the money spent?

District expenses fall into seven categories:

- **Salaries**
Amounts paid to all permanent and temporary employees of the District. This is the largest percentage of expenses in U-46.
- **Employee Benefits**
Fringe benefit payments considered a part of the cost of employees' benefits. Examples are group health or life, social security, contributions to employees' retirement, and workmen's compensation.
- **Other Expenditures**
Amounts paid for goods and services not otherwise classified above. These expenses include payment of interest, retirement of debt, or the purchase of investments.
- **Purchased Services**
Payments for any services rendered by personnel not on the district payroll. They include instructional professional service, repairs and maintenance, legal services, and contract cleaning to name a few.
- **Supplies and Materials**
These expenses are for consumable items that are replenished on an ongoing basis. For instance, student textbooks, fuel for school buses, food service, electricity and natural gas.
- **Capital Outlay**
Capital expenses are for the acquisition or upkeep of fixed assets like property, buildings, and equipment.
- **Non-capitalized Equipment**
Purchases of items that would be classified as capital assets, except that the cost is less than the \$10,000 capitalization threshold, but more than the \$500 minimum value.

This table and chart detail Expected Expenses for the 2013-2014 fiscal year.

Expense Category	Percentage	Expected Expenses 2013-2014 Budget
Salaries	51.25%	\$243,097,939
Employee Benefits	19.99%	\$94,813,567
Other Expenditures	12.71%	\$60,312,506
Purchased Services	7.25%	\$34,386,328
Supplies and Materials	5.33%	\$25,290,059
Capital Outlay	3.34%	\$15,853,086
Non-capitalized Equipment	0.13%	\$601,843
Total Expenses	100.00%	\$474,355,328



Funds

How is the money distributed?

Illinois law requires the Board of Education to budget its revenue and expenditures each year and report their spending through a government fund accounting process. Therefore, a school district budget is composed of several different funds each with its own assigned revenues and deducted expenses. Funds are classified into two unique categories: *Operating Funds* and *Restricted Use Funds*. Operating funds make up the largest portion of revenues and expenses and fund the day to day operations of the district. Restricted Use Funds are restricted by law to be used for paying very specific types of expenses. The funds are broken down into more detail below.

Operating Funds

Educational

The Educational Fund is the largest fund established for controlling most of the operating expenses. Revenue comes from property taxes, state aid, federal aid, and local revenue. Expenses include but are not limited to teachers' and administrators' salaries and benefits, educational materials, the lunch program, special education, and teacher professional training. Any district expense not included in another fund can be paid out of the Education Fund.

Operation and Maintenance (O&M)

The Operations and Maintenance Fund is mainly used to account for the cost of maintaining, repairing, or improving school buildings and property. Revenue is primarily from property taxes, building rental and interest income. Most expenses are utility costs, maintenance personnel salaries and benefits, contractor cleaning, capital improvement projects and repairs.

Transportation

The Transportation Fund is used to account for the costs associated with transporting students. Categorical state aid has traditionally been responsible for the majority of transportation revenue until recent deep cuts have severely impacted this fund. The remaining revenue is contributed from property taxes and tuition and transfer fees. Transportation personnel salaries and benefits make up most of the expenses followed by vehicles, fuel, maintenance, and insurance.

Restricted Use Funds

Tort Immunity and Judgment (TI&J)

The Tort Immunity and Judgment Fund handles expenditures related to risk management, legal services, security and other related issues. Funding comes from tax levies and/or bonds. Expenditure examples include Workers & Unemployment Compensation, Property Claims, and Judgment and Awards due to litigation.

Debt Service

The Debt Service Fund accounts for financial resources to make interest and principal payments on bonds. Bonds usually finance building construction and may be used for other purposes. Taxes are levied to provide cash to retire bonds and pay interest on them. The largest payment from this fund is generally in January, so June balances should be approximately half that total.

Illinois Municipal Retirement Fund (IMRF) and Social Security

The IMRF/Social Security Fund provides resources for the Districts' share of retirement benefits for covered employees. Revenue sources are IMRF/Social Security tax levies and personal property replacement taxes. Expenditures are only municipal retirement, Social Security and Medicare contributions.

Capital Projects

Revenue for the Capital Projects Fund comes from property taxes or building bonds. Property tax money can be spent on expenses for administrative costs related to a construction project or bond issuance, and other items directly related to the construction project. Bond money can only be spent for the purpose stated in the bond and on the ballot.

Developers Fees

Money received from local land developers for specific school projects within their municipalities are tracked in the Developers Fees Fund. Expenditures are primarily for capital outlay.

Fire Prevention and Safety Fund

Capital improvements regulated by the state are paid out of the Fire Prevention and Safety Fund. Revenue comes from property taxes and life-safety bonds. Expenditures include fire prevention, safety, energy conservation, school security, and other specified purposes.

Working Cash Fund

The purpose of the Working Cash Fund is to allow the District to have money available to meet ordinary and necessary expenditures and reduce or eliminate the need to borrow for cash flow. Property taxes or specific school bonds finance the fund. No expenditures are made from the fund. Dollars are lent as needed to other funds.

This table displays expected revenues and expenses for each fund.

Funds	Expected Revenue 2013-2014 Budget	Expected Expenses 2013-2014 Budget
Operating		
Educational	\$350,972,123	\$352,237,771
Operations and Maintenance	\$24,439,678	\$24,059,011
Transportation	\$24,290,693	\$23,297,702
Restricted Use		
Tort Immunity and Judgment Fund	\$8,713,081	\$8,501,956
Debt Service Fund	\$42,948,711	\$42,803,254
IMRF/Social Security	\$13,462,798	\$13,457,483
Capital Projects	\$0	\$1,717,651
Developers Fees	\$315,000	\$315,000
Fire, Prevention, and Safety	\$1,480,705	\$1,478,000
Working Cash	\$250,000	\$6,487,500
Total	\$466,872,789	\$474,355,328

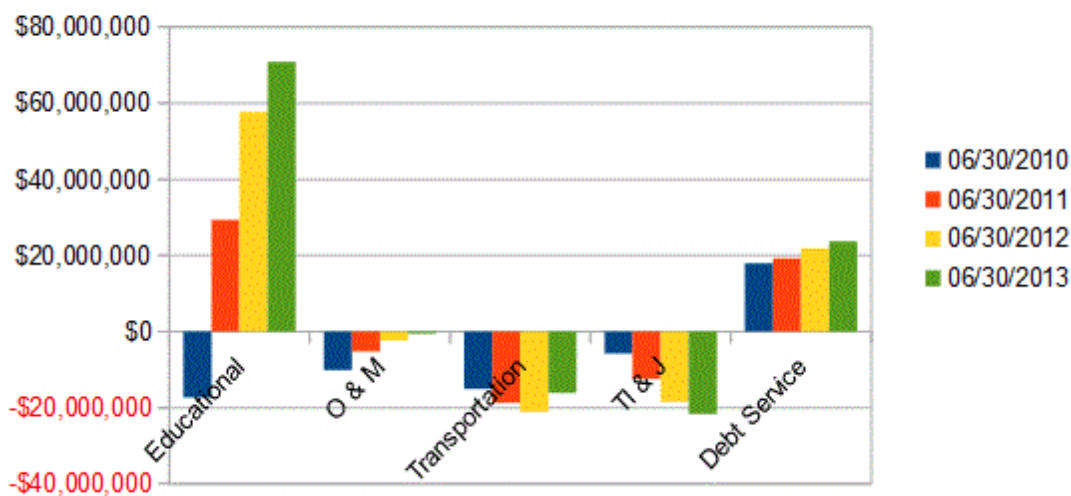
Fund Balances

What is the financial condition of U-46?

In school finance a year is referred to as the fiscal year (FY) and runs from July 1 to June 30. Each fund carries a balance from year to year. Some U-46 funds are currently carrying a negative balance. The Transportation Fund, for example, has been severely hit by state cut-backs. Fund balances are important because the state looks at them when determining a district's financial health. The table and chart below illustrate balances for some of the major funds since 2010.

Funds	06/30/2010	06/30/2011	06/30/2012	06/30/2013
Educational	-\$17,346,677	\$29,383,790	\$57,730,080	\$70,908,672
Operations and Maintenance	-\$10,068,420	-\$5,216,682	-\$2,301,840	-\$518,210
Transportation	-\$15,062,483	-\$18,760,402	-\$21,072,002	-\$16,137,568
Tort Immunity and Judgment	-\$5,791,815	-\$12,430,782	-\$18,543,279	-\$21,605,796
Debt Service	\$17,992,384	\$19,252,458	\$21,867,241	\$23,737,065

Fund Balance



Transportation

A portion of the District's income is dedicated to transportation of students, and some reimbursement is provided by the State of Illinois. The following table includes transportation costs **excluding special education**. Special education transportation is reimbursed with federal dollars.

Allowable Cost is essentially the amount the District has spent on regular education transportation, and **Reimbursed Cost** is the amount the State has paid as reimbursement.

Over the past few years, the State of Illinois has been behind in transportation reimbursement, and has reimbursed at a lower rate than expected. This caused the balance of the Transportation Fund to turn negative.

Please see the description of the Transportation Fund under Operating Funds earlier in this document for more information.

Transportation & Reimbursement Claim Detail				
	2009-2010	2010-2011	2011-2012	2012-2013
Reimbursed Cost	\$4,153,270	\$3,786,342	\$1,894,069	\$6,327,853
Allowable Cost	\$11,340,850	\$10,298,279	\$7,893,186	\$13,438,886
Reimbursement % of Allowable	36.62%	36.77%	24.00%	47.09%

Note: The “Allowable Cost” difference between 2011-2012 and 2012-2013 is due to a shift in accounting methods which moved some costs from the prior year into the next year. This is expected to be a one-time difference in reported cost between years.

Students Transported and **Miles Traveled** in the following table include regular education, special education, after school activities and field trips.

Transportation Details				
	2009-2010	2010-2011	2011-2012	2012-2013
Students Transported	26,163	26,533	26,597	24,891
Miles Traveled	5,327,713	4,583,669	5,150,272	4,644,653

What You Can Do

How can I have an effect on school finance?

Illinois provides a low level support to public education compared to most other states. There are big differences state-wide in per pupil spending and access to education opportunities between school districts. The Illinois Constitution does not require equal per pupil spending in school districts so any fair solution is up to the legislative process. Property tax caps, unfunded mandates, funding shortfalls, pension under-funding, labor contracts, grant restrictions and budget cuts by the state all affect revenue and expenditures in U-46.

Public education is closely tied to the state legislative process and political realities. Reach out to your legislators and tell them how you feel about education funding and expenditure requirements in Illinois. Vote in local elections. Keep informed about school funding reform ideas as they move through the political process. Learn more about school finance in Illinois. Consider joining the **CAC Legislative Committee** which works to keep track of legislation which may impact the District.

Follow finances by attending Board of Education meetings or reading financial information on the District website. Consider joining the **CAC Finance Committee**. While the committee does not make any financial decisions for the District, the meetings are an opportunity to provide feedback on the revenue and expenditures that affect learning opportunities for students.

Information

Where can I learn more about school finance?

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