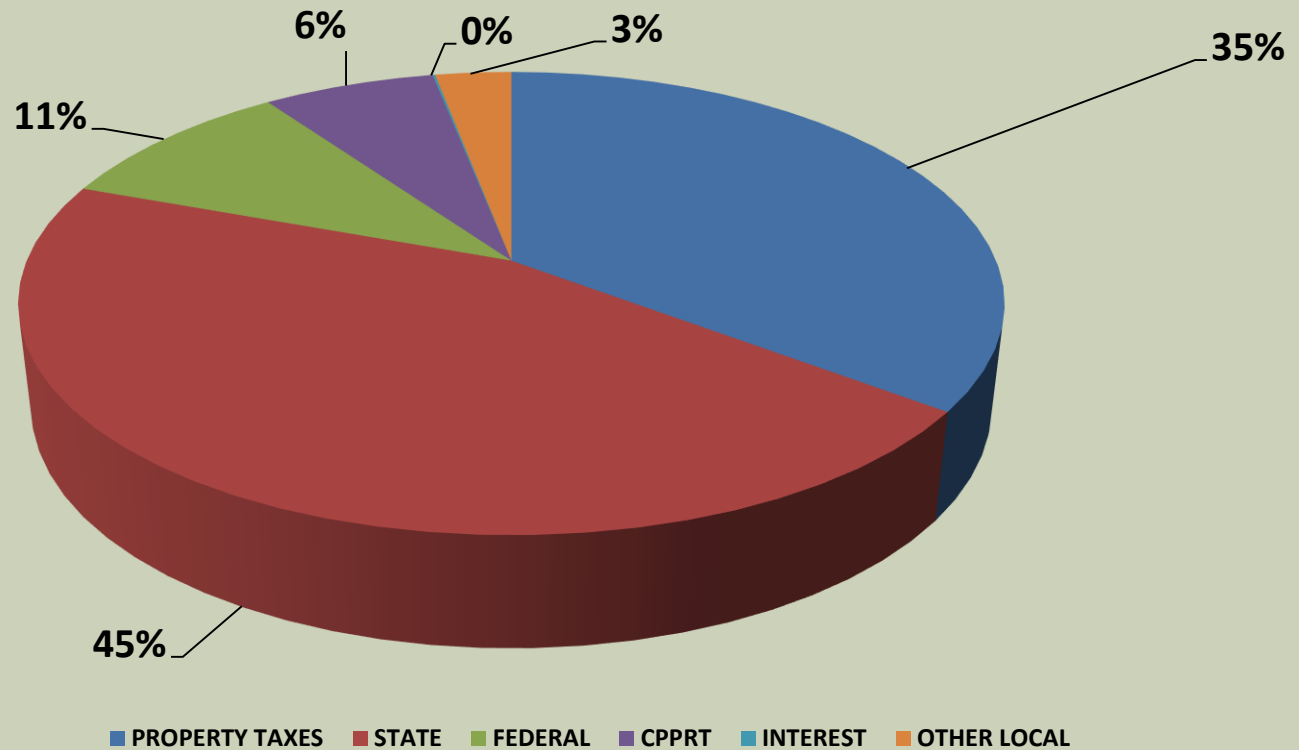


J. STERLING MORTON HSD 201

School Finance 101

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REVENUE SOURCES FOR SCHOOLS



FY15 **35%** **45%** **11%** **6%** **0%** **3%**

NOTE - EXCLUDES: TRANSFERS AND ON-BEHALF PAYMENT TO TRS

NOTE - EXCLUDES: DEBT SERVICE FUND

LOCAL REVENUE

- Real Estate Taxes
- Corporate Replacement Taxes
- Interest Income
- Food Service Sales
- Student Fees
- Rental Fees

REAL ESTATE TAXES

- Assessment Process
- Review Process
- Equalization Process
- Levy Process
- Truth in Taxation
- Property Tax Extension Limitation Act (PTELA)
- Tax Extension
- Collection and Distribution
- Assessment Appeals & Other Issues

ASSESSMENT PROCESS

- At the Township level, assessors identify real property, appraise and place value on it. You should double check that properties are on the books. Know your assessor(s).
- Business/Industrial properties are valued based upon market value as well as income generated.
- Illinois statute states assessed value should represent 33.3% of market value except for farm land. Farmland is assessed using a yield-based formula.
- A few counties have special classification systems.
- Manage your real properties – new growth, TIFs

REVIEW PROCESS

- Purpose - For system to correct under, over, and non-uniform assessments by local assessor.
- Assessor sends changes to property owners. Publishes.
- Property owners can go to the assessor and then the Board of Review to challenge their assessment.
- Next level of challenge - Property Tax Appeals Board (PTAB) or Circuit Court

EQUALIZATION PROCESS

- Purpose - To bring all township assessments to the state mandate of 33.3%.
- Multiplier is applied to township and then county assessments (except Cook).
- Cook County multiplier is determined by the Illinois Department of Revenue.
- $EAV = \text{Multiplier} \times \text{Assessed value}$

LEVY PROCESS

- School district passes budget
- Determine levy amount. How much do you ask for? Are you under the Tax Cap?
- If required:
 - Publish in Newspaper
 - Hold public hearing
 - Board adopts Levy
- File Certificate of Tax Levy with County Clerk prior to last Tuesday in December (watch Christmas date!). Also, double-check the bond amounts (County clerk offices can make mistakes!)

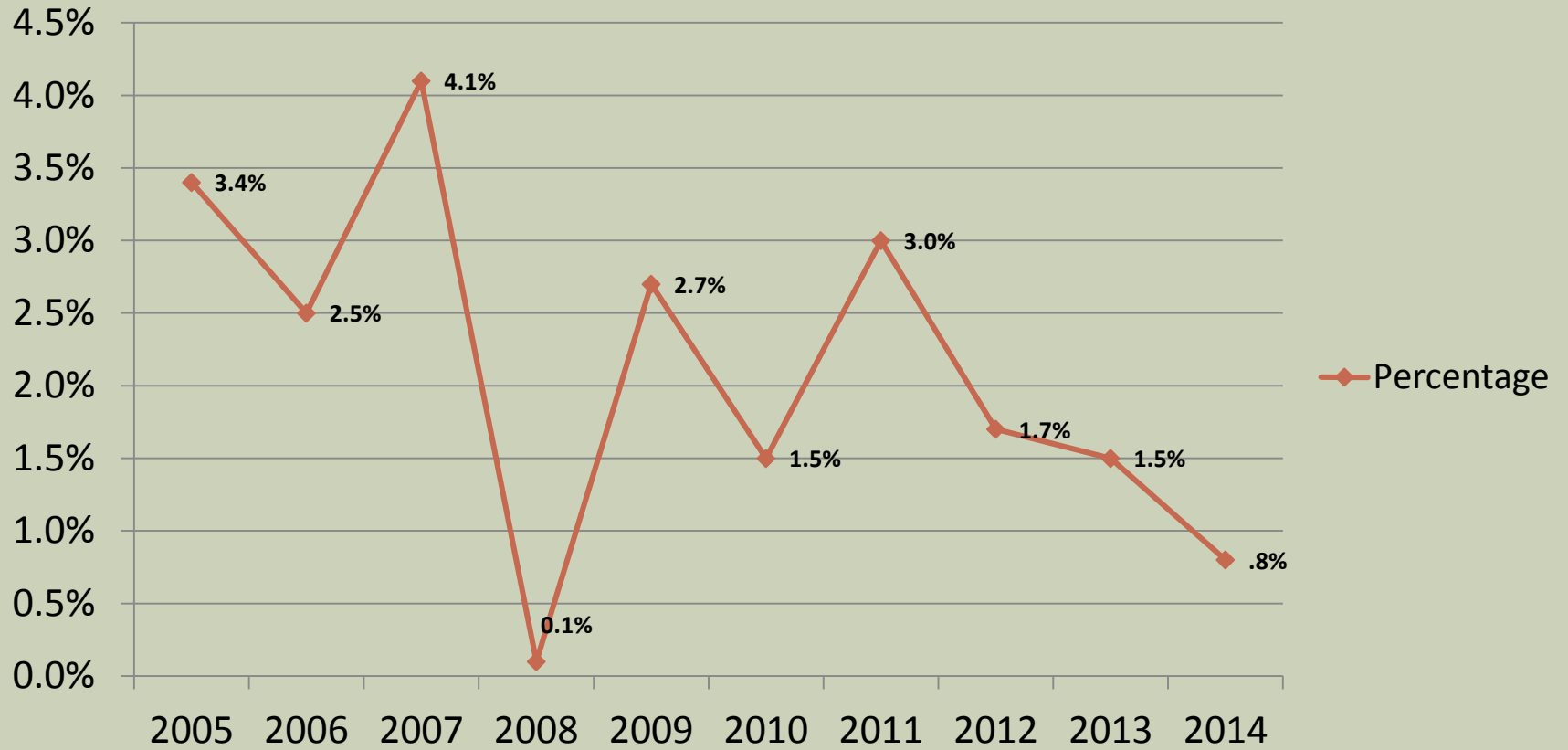
TRUTH IN TAXATION

- If current year's levy request (excluding bond and interest) is more than 5% greater than prior year's extension:
- A notice must be published in a newspaper
- Publication must be no more than 14 and no less than 7 days before the date of the public hearing
- Must be published in newspaper of general circulation
- A public hearing must be held
- District explains the reason for the levy and any increases
- District must permit anyone wishing to speak the opportunity
- Usually done as part of a regular Board meeting
- Tentative levy must be approved no less than 20 days before the adoption of the levy ordinance.

PROPERTY TAX EXTENSION LIMITATION ACT

- Enacted in Collar Counties in 1991, Cook County in 1995, and by referendum in some downstate counties.
- Limits the increases in property tax extension to 5% or the increase in the “Consumer Price Index-All Urban Consumers” (CPI-U), whichever is less.
- Allows for issuance of limited tax bonds where bond debt cannot exceed 1994 tax levy for bond debt. Enacted in 1995.
- 1996 Amendments. PTELA enacted for remaining Illinois counties if approved at county-wide referendum. If law is approved in referendum, then it becomes effective in the next levy year. Fight all PTELA referendums.

CPI HISTORY



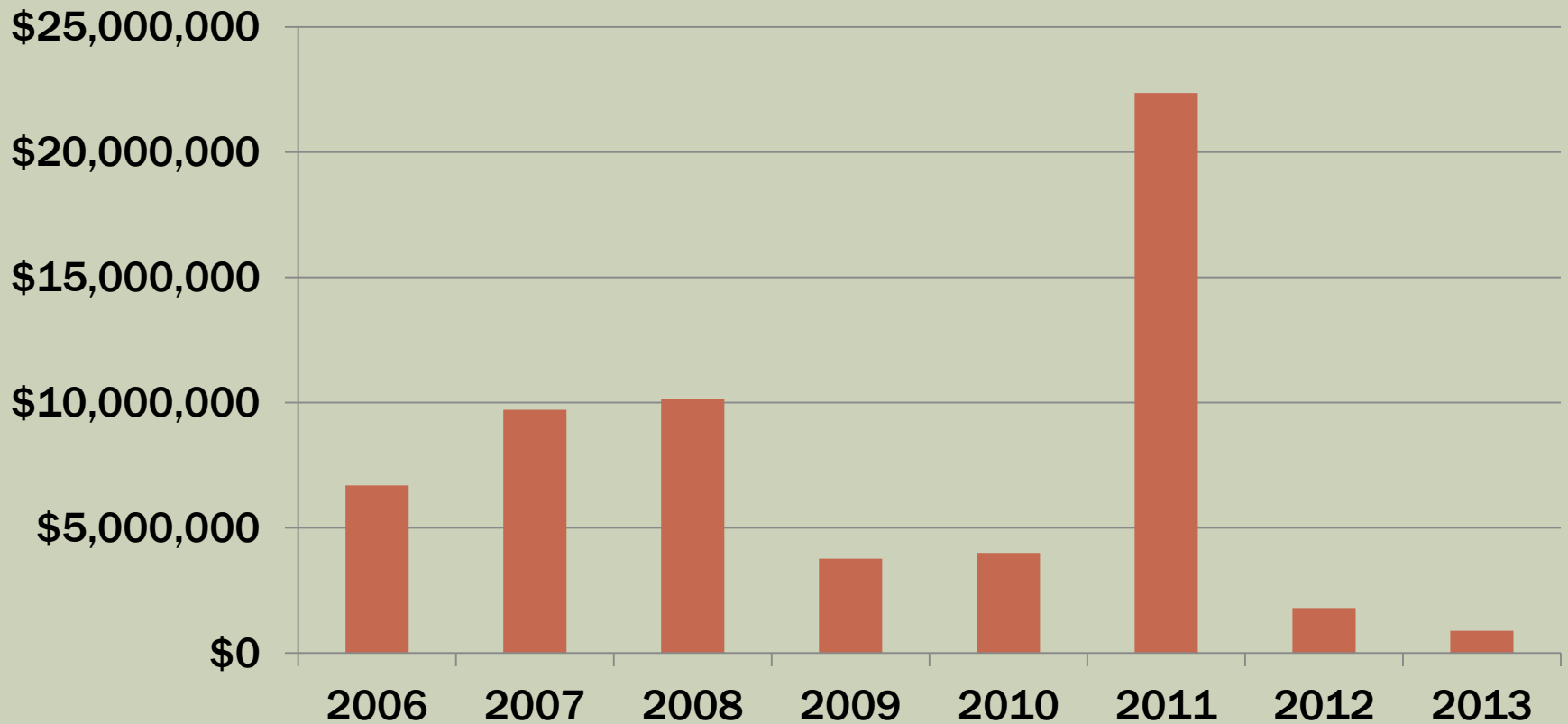
HISTORY OF EAV

EAV

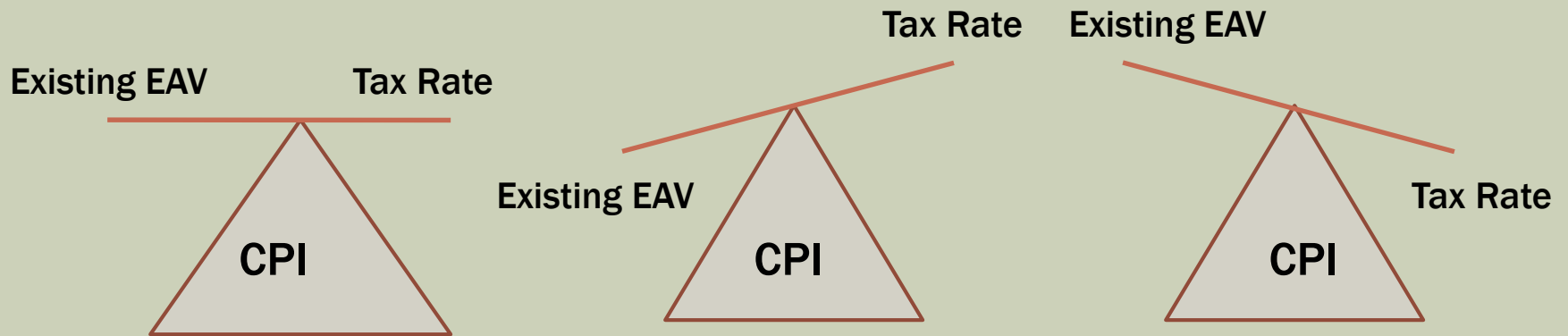


HISTORY OF NEW CONSTRUCTION

New Construction



EAV, CPI AND TAX RATE



Property Assessment vs. Taxes



House A

Market Value	Assessment	Tax Rate	Taxes
\$300,000	99,990	5.4618	\$5,461

30% Reduction in Assessment Base



House A
*After 30%
Assessment Base
Reduction*

Market Value	Reduced Assessment	Tax Rate	Taxes
\$210,000	69,990	7.8029	\$5,461

Reduced Assessments DO NOT provide LOWER TAXES

TAX EXTENSION

- Adds loss amount to District levy (2% to 5%)
- Calculate Property Tax Extension Limitation
- Calculate final tax rates for each taxing district
- Extend taxes on Equalized Assessed Value and enters in county Collector's books
- Deliver Collector's books to county Treasurer for preparation of bills

COLLECTION AND DISTRIBUTION

- Two mailings of tax bills
- Taxes due one month after billing date
- Distribution : Cook County March & Fall; Collar Counties 1/2 in June and 1/2 in September; Downstate often July and September

CORPORATE PERSONAL PROPERTY REPLACEMENT TAXES

- State tax on net income of corporations to replace local tax on the assessed value of corporate personal property (1979)
- Jan, Mar, Apr, May, Jul, Aug, Oct, Dec payments
- Will fluctuate (+/-) with the economy



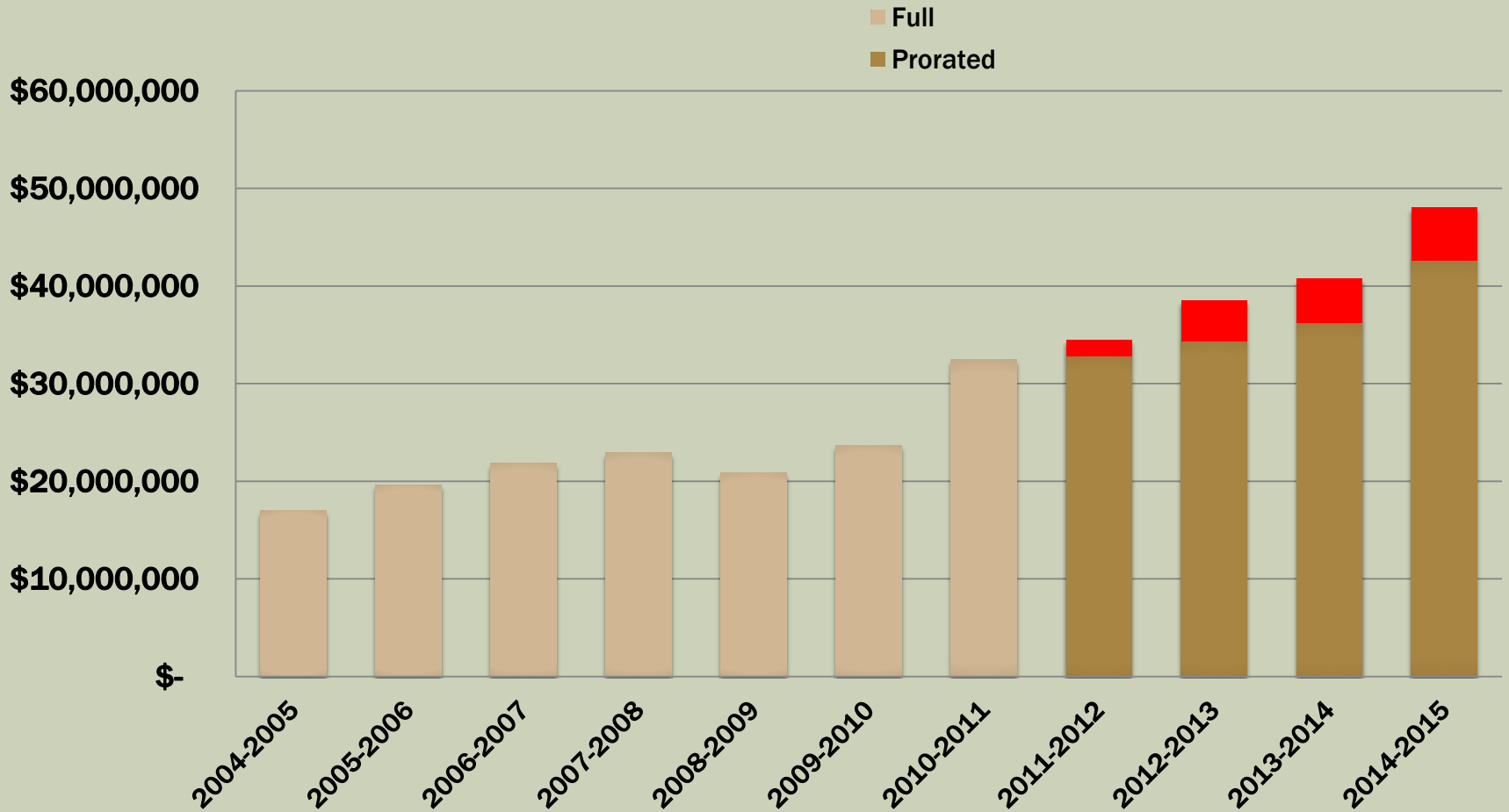
State Revenue

- General State Aid
- Special Education Aid
- CTEI
- Early Childhood
- Bilingual
- Drivers Education
- School Breakfast
- Library
- Transportation

GENERAL STATE AID

- BASED ON ADA OF SCHOOL DISTRICT
- FOUNDATION LEVEL SET BY THE STATE AT \$6,119 (PRORATION IS APPLIED AFTER)
- HIGHER THE ADA, MORE STATE AID WE COLLECT
- ATTENDANCE IS A KEY FACTOR

STATE AID CHART



FEDERAL REVENUE

- **Title I – Improving Achievement**

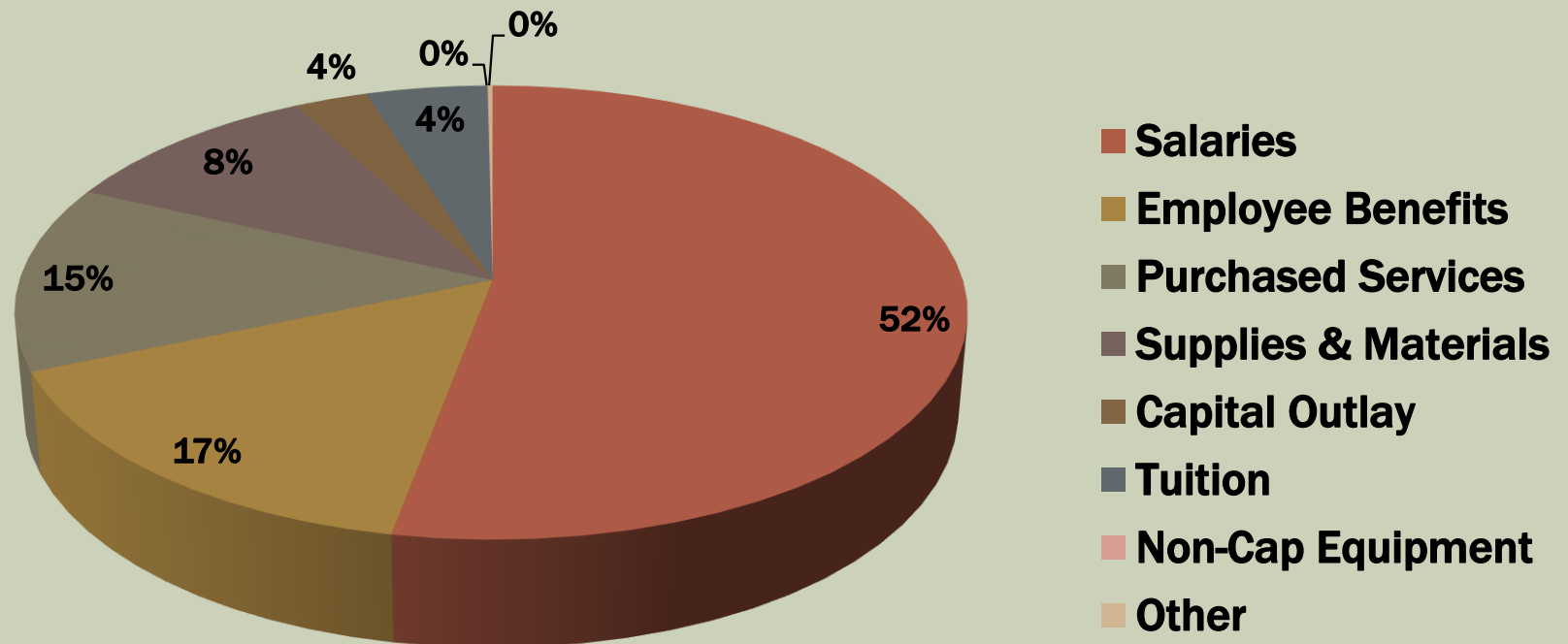
The purpose of this grant is to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on challenging State academic achievement standards and state academic assessments

- **Title II – The purpose of the program is to increase academic achievement by improving teacher and principal quality.**
- **Title III – Title III is designed to improve the education of Limited English Proficient (LEP) students by helping them learn English and meet challenging state academic content and student academic achievement standards. - See more at:**
- **Food Subsidies – National School Lunch Program**
- **Medicaid – Physical Therapy, Occupational Therapy, Nursing Services**
- **IDEA – Special ED Grant**

EXPENSES AT J. STERLING MORTON HSD 201

- 70% of all expenses can be tied to salaries & benefits.
- Remaining 20% to 30% is spent on everything from band-aids to paper clips, electricity to phones, computers to building maintenance, etc.

TYPES OF EXPENDITURES

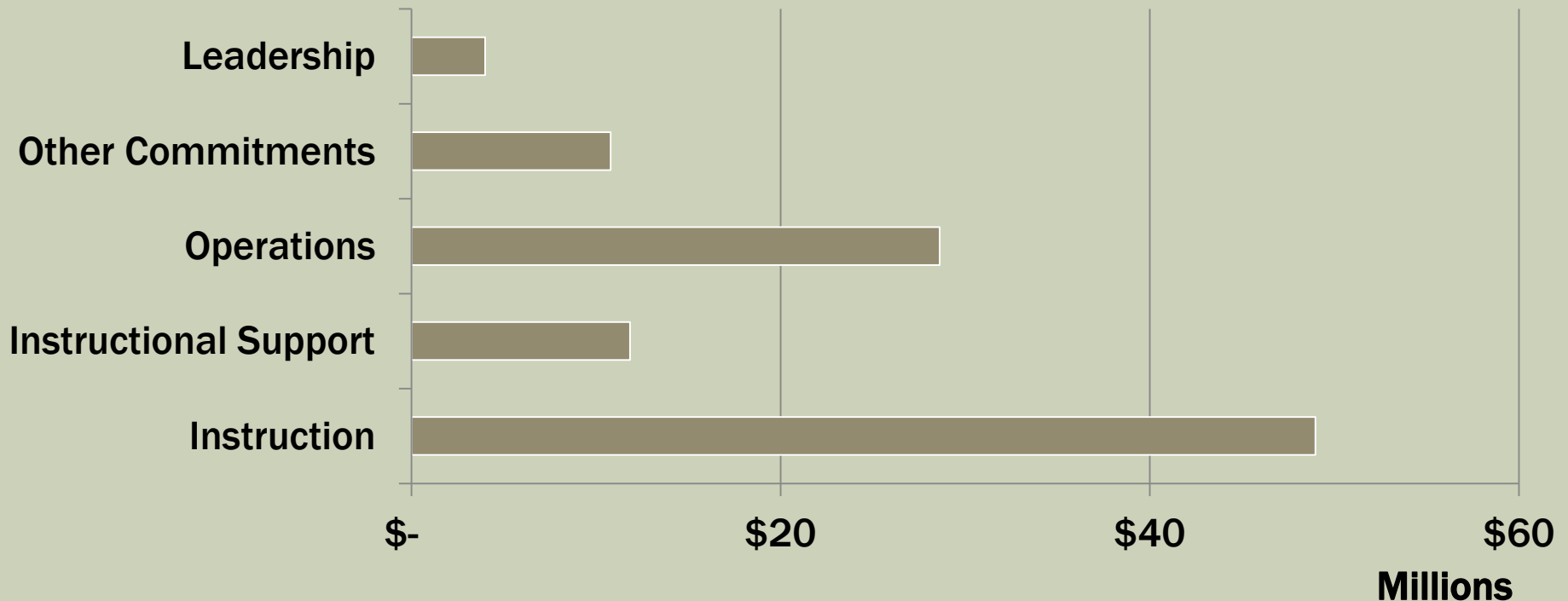


NOTE - EXCLUDES: TRANSFERS AND ON-BEHALF PAYMENT TO TRS

EXPENDITURES DON'T INCLUDE DEBT SERVICE

INSTRUCTION TAKES TOP PRIORITY

- The District has organized the entire budget into five operational categories that summarize how money is spent. J. Sterling Morton High School District 201 keeps instruction as its top priority, while providing funds necessary to the areas that support instruction. Most of the District's total budget is spent in the classroom on instruction and instructional support. In the operations category there are significant expenditures that directly support classroom instruction such as transportation, food service and custodial services.



WAYS EXPENDITURES ARE INCURRED

Payroll

- Employees are hired by the Board of Education as recommended by Human Resources/Superintendent
- Substitute pay & overtime is authorized by the appropriate dept. administrator & forwarded to Payroll in the Business Office
- Payroll processes paychecks
- Paychecks are distributed to employees

WAYS EXPENDITURES ARE INCURRED

Purchasing

- Staff member wants to purchase an item
- Supervising administrator verifies available budget balance, and that purchase is allowed (e.g., no bidding required)
- Purchase requisition is prepared by dept.
- Business Office converts requisition to a purchase order (PO) & sends PO to vendor
- After invoice is received and Accounts Payable is notified of goods being received, checks are processed
- Checks are held pending Board of Education approval, then mailed to vendor

HOW EXPENDITURES ARE CODED

- IL Program Accounting Manual (IPAM) for Local Education Agencies (LEAs)
 - <http://www.isbe.net/sfms/pdf/ipam.pdf>
- Exp. coded on ISBE AFR & budget by:
 - Fund
 - Function
 - Object
- Your acct. structure may also include location, program, source of funds

FUND USES

- **#10 - Educational**
 - Largest fund
 - Instructional exp. & support costs such as food service, social workers, librarians
- **#20 - Operations and Maintenance**
 - Maintaining, improving or repairing buildings and grounds
- **#30 - Bond and Interest**
 - Bond principal and interest payments
 - Must maintain separate bond and interest fund for each bond issue
- **#40 - Transportation**
 - Pupil transportation costs such as bus purchases & payments to bus transportation vendors
- **#50 - IMRF/FICA**
 - District's share of social security and Medicare taxes and Board share of IMRF obligations

FUND USES

- **#60 - Site and Construction**
 - Bond proceeds for construction are placed here
 - Construction project costs, land purchase
- **#70 - Working Cash**
 - Property tax is levied or bonds sold for this purpose
 - Loans and transfers of interest to other funds
 - The District's "savings" account
- **#80 - Tort Fund**
 - Combined with Ed. Fund for ISBE reports
 - Workers' comp, unemployment insurance, property insurance
 - Legal services, risk management exp.
- **#90 - Fire Prevention & Safety (Life/Safety)**
 - In order for the county to levy property taxes for this purpose, your architects must certify plans that are submitted to the Regional Office of Education (ROE) & ISBE (IL State Board of Education)

SCHOOL DISTRICT BUDGET

PURPOSE

- Satisfies a minimum level of financial/program information for state, local and federal governments
- Provides both expending and taxing authority
- Meet requirements imposed by Illinois law
- Estimate of revenues and expenditures
- Provides a tool to measure fiscal performance
- Plan to accomplish the financial goals of BOE

BUDGET CALENDAR AND ASSUMPTIONS

- Start with assumptions on key budget drivers
- State and federal government budget projections
- Tax cap, if applicable
- Salary increases
- CPI increase
- New, changed or dropped programs (e.g., RTI)
- Staffing
- Non-routine expenditures (e.g., textbooks, uniforms)
- Technology
- Capital projects/expenditures

BUDGET CALENDAR AND ASSUMPTIONS

- Work backward from your due dates to figure out when you need to have key tasks completed.

A typical plan is like:

- Final budget in September
- Tentative budget 30 days before in August
- Near final budget in July, headcount revised
- Department budgets due in May
- Department budgets distributed in April
- And just when you think you've got it all set, don't forget that if you're doing an amended budget it is due by the end of June, with a presentation the month before!

BUDGET DUE DATES

- Budget must be BOE approved within 90 days of fiscal year end
 - Sept. 30 for most school districts
- Certified copy (including revenues) must be filed with the county clerk within 30 days of adoption per Property Tax Code (35 ILCS 200/18-50)
 - They're verifying deficit budget summary & reduction plan and public vendor contracts are included.
- File electronically with ISBE within 30 days of adoption

POST BUDGET ON DISTRICT WEBSITE

- **Must be done if your district has a website**
 - Annual budget with itemized receipts & exp. (most use ISBE form)
- **Must inform parents of its posting & provide web address**
 - May use any means of communication
 - Consider adding notice to your student handbook that parents receive