

School Finance Refresher

How Funds Work in Education





The Casey's Principle

The goal of this presentation is to refresh the Board and enlighten any community member to how school finance works at level that can be conveyed effectively when stopped at the gas station, grocery store, or ball game.



Schools are not businesses

School districts are not designed to turn a profit. The financial goal of a school district should be to meet the needs of the district in the short-term and the long-term.



Schools are not like your own bank accounts

You are able to save and spend your money as you see fit. You can save for this or that. You can purchase this or that - and you do it all with the same pot of money and the same rules. You may have multiple accounts - yet, in almost all cases - you can spend all of you money on whatever you can afford.



Schools do not receive a “paycheck”

Schools are funded in four major ways:

- 1. Property Tax Revenue**
- 2. Evidence Based Funding / State \$**
- 3. State Mandated Categorical Reimbursements**
- 4. Federal Grants**



Property Taxes

1. Property taxes account for approximately 45% of the districts income.
2. Property taxes are generated by the levy process.
3. The levy is created without a clear picture of the district's Estimated Assessed Value and therefore is always a bit of a guessing game.
4. The largest portion of Tax receipts go into the Education Fund.



Evidence Based Funding

1. According to the State Evidence Based Funding Formula - D276 is funded locally at 67% of adequacy. Or, at 67% of the funding necessary to provide an equitable education across the region/State.
2. EBF is approximately 40% of our yearly Revenue.
3. Prior to this year, the district received additional funding on top of the Base due to our Tier I status. Tier I is an indicator of the districts that are farthest from adequate local funding.



Categorical Payments (MCATS)

- 1. MCATS are programs that the State uses to reimburse the district for specific expenses incurred in the educational process: Transportation, Special Education Private Tuition, etc**
- 2. The reimbursement varies and often depends on whether the State chooses or is able to make all the dedicated payments each year.**



Federal Reimbursement

1. We receive Federal Title I, Title II, and IV
2. We are also receiving temporary funding to address student achievement
3. We have also been allocated Cares Act, ESSR II and ESSR III funding for addressing COVID-19 related issues.
4. Federal reimbursement is currently approximately 10 percent of district revenue.



Funds

-School district revenues are divided into 9 Funds.

-Each fund has a specific Revenue Stream and specific guidelines for expenditures.

-The Funds associated with School Districts are:

F10 Education; **F2 Operations and Maintenance**; F30 Debt Services; **F40 Transportation**; F50 IMRF/SS; **F60 Capital Projects**; F70 Working Cash; **F80 Tort/Liability**; F90 Fire Prevention and Safety



F-10 Education Fund

- The largest fund in all school districts**
- Revenue Streams include: Local, State, and Federal**
- Largest portion of tax bill is designated for F10**
- Expenditures include anything associated with Instruction: Salaries, benefits, classroom materials and supplies, technology and almost anything that is found in a school building.**
- You cannot build with the Education Fund Dollars**



F-20 Operations and Maintenance

- This fund includes all items associated with the buildings and maintenance of the school district's facilities.**
- Revenue Streams include: Local property taxes and State.**
- Expenditures include anything associated with O&M: Salaries, benefits, building maintenance, and associated equipment.**
- O&M does have an expenditure line item for facilities acquisition and construction.**



F-30 Debt Service

- This is where bond proceeds are recorded**
- Bonds and Interest are paid out of this account**
- This account only has revenue when there are bond receipts.**



F40 Transportation

-This fund is where Transportation revenues and expenditures are recorded.

-Revenues are Local property taxes and State. The State reimbursement is not always reliable.

Expenditures include: Salaries, benefits, fuel, equipment, other costs associated with Transportation.



F50 IMRF/Social Security

-This fund is where revenues and expenditures for IMRF and Social Security benefits for employees are recorded.

-Revenues are Local with a small portion of State CPPRT proceeds.

Expenditures include: Salaries, benefits, fuel, equipment, other costs associated with Transportation.



F60 Capital Projects Fund

- This fund has no levy (property tax) revenue source.
 - This fund is where building related expenses are paid via:
Recurring County Facility Sales Tax
 - Fund 60 Revenues are generated by 1% of retail purchases made in the County. The funds are then dispersed based on enrollment County resident students in each district.
- We receive sales tax receipts from 3 Counties.



F70 Working Cash Fund

- This fund is similar to a savings account.**
- Fund 70 Revenues are generated by local property taxes and Working Cash Bond proceeds.**
- Working cash bonds can be transferred to other accounts for specified purposes, including construction.**



F80 Tort Fund

-This fund is where costs associated with legal costs, risk management, and property liability are recorded.

-Fund 80 Revenues are generated by local property taxes.



F90 Fire Prevention and Safety Fund

-This fund is where costs associated with Architecturally noted building repairs are paid out of.

-Fund 90 Revenues are generated by local property taxes and Health Life Safety Bond Proceeds.



Alternate Revenue Bonds and Debt Certificates

Alternate Revenue Bonds and Debt certificates are designed to be incurred debt that the property taxpayer is not asked to repay.

Both options require a revenue source other than the property taxpayer.

For D276 - the revenue source is the CFST recurring receipts.