Galesburg CUSD #205
FINANCIAL STATE OF AFFAIRS FOR 2020-2021
### Presentation Outline

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Galesburg CUSD #205 Funding Sources
Revenue Sources

FY 2019 Revenue Sources

- Local Revenues: 10%
- State Revenues: 49%
- Federal Revenues: 41%
Funding Sources

- **Local Funding** (49% of Total Revenues)
  - Property Taxes
  - 1 Cent Facilities Sales Tax
  - CPPRT
  - Revenues from Fees, Athletic Ticket Sales

- **State Funding** (41% of Total Revenues)
  - Evidence Based Model Funding
  - Categorical Grants (ex: Transportation)
  - Specialty Grants (ex: Ag Grant, Truancy Grant)

- **Federal Funding** (10% of Total Revenues)
  - Every Student Succeeds Act (ESSA): Title I, II, IV
  - Rural and Low Income Students Grant (RLIS)
  - One-Time Federal Response Grants (ex: CARES Grant)
Local Sources

- Local Property Taxes
  - Each December, the Board of Education passes a local property tax levy.
    - The levy passed in December 2019 was a request of taxes that will be collected in 2020 for the tax year 2019.
    - Because the Equalized Assessed Valuation (EAV) of all property in a school district’s boundaries is not set in December, the District does not know the actual dollars it will receive until the final extension calculations are forwarded to the District in April/May of each fiscal year.
    - Challenge for District 205: The District is on the accrual method of accounting. In terms of property taxes, 52% of the revenues in a budget year are not collected until after the fiscal year is over. The auditors then “book back” the property taxes between June-October.
      - This is important because the District must have ample reserves, or the District will have cash flow issues and difficulty making payroll and paying monthly bills.
  - FY 19 Property Taxes Collected $20.8 million
Budget and Property Tax Cycle

• December 2020
  • Levy Passed
    • A levy is an educated guess of 2020 property values and collection rates.
    • The District will not know the final taxes that are to be collected until April/May.

• April /May 2021 Extension Tax Calculation
  • 3/4 of the way through the 2020-2021 Budget year, the District finally knows what 52% of its local revenues will be.
  • This does not tell us what the collection rate will be.

• June/July 2021
  • Budget/Fiscal Year Ends June 30th
  • First Tax Year 2020 tax revenues begin to arrive in June/July
  • The first 52% of tax dollars received go to fund the budget year that has just ended.

• September 2020
  • 2020-21 Budget Passed
    • 48% of Local Revenues from 2020 Tax Collections-Tax Year 2019
    • 52% of Local Revenues from 2021 Tax Collections-Tax Year 2020
Local Sources

1 Cent Sales Tax

- Revenue from the 1 Cent Sales Tax can only be applied to bond payments for capital projects or for to Fund 60 for capital improvements to buildings.

  - Alternate Revenue Bonds were sold in 2011 and 2014 and secured with the 1 Cent Sales Tax Revenues.

  - The revenue from the 1 cent Sales Tax each years goes to paying these bond obligations

  - FY 2019 Collection $2.9 million
Local Sources

- CPPRT—Corporate Property Replacement Tax
  - Corporate Personal Property Replacement Tax was established in 1979 that is still used today. It is a tax on corporate net income collected by the Illinois Department of Revenue and distributed to the schools. The percentage of distribution is based on corporate property that existed in your community in 1979.
    - How does the collection and distribution work?
      - All of the net income tax for corporations is collected throughout the state and sent to the Illinois Department of Revenue
      - Each school district receives a percentage of the total dollars collected from around the state
      - The percentage was established in 1979 and reflects the total net tax your local corporations contributed to the total pot in 1979
        - Thankfully for Galesburg, there were many manufactures in the community in 1979
        - If the percentages were to ever be recalculated (and this has been discussed many times), Galesburg CUSD #205 would lose a significant amount of revenue based on the number of local corporations today versus those that existed in 1979
  - FY 2019 CPPRT Collections $1.5 million
Local Sources

► Revenues from Fees/Athletic Ticket Sales
  ► Future revenues in this area will be very minimal as we will no longer have registration fees.

  ► As all of the District’s schools become part of the Community Eligibility Program (CEP) for food services, revenues from sales of breakfasts and lunches will diminish. Revenues will be limited to extra milk sales and a la carte items at the 7-12 complex.

  ► Local revenue from Athletic events will most likely be greatly diminished with COVID-19 restrictions in the 2020-2021 school year.
Summary of Challenges

- Each year we develop a budget without a clear picture of what 49% of our total revenues will be for the coming year.

- The accrual method of accounting requires the district to have ample reserves to cover payroll and bill payment throughout the year.

- 52% of the local revenues received from property taxes arrives after the budget year has ended and is “booked back” by the auditors.

- CPPRT is based on corporate net income from around the state. This can fluctuate greatly in any given year.
  - As corporations have left Illinois over the past several years, CPPRT distributions have declined.
  - In a year like 2020, the reduction in CPPRT will be significant with the COVID-19 closures and additional operating costs corporations will incur.
<table>
<thead>
<tr>
<th>State Revenue Sources</th>
<th>Annual Financial Report 10/2019</th>
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</thead>
<tbody>
<tr>
<td>Evidence Based Model</td>
<td>$19,635,138</td>
</tr>
<tr>
<td>Transportation</td>
<td>$1,429,467</td>
</tr>
<tr>
<td>Early Childhood Education</td>
<td>$1,222,863</td>
</tr>
<tr>
<td>Special Education</td>
<td>$264,242</td>
</tr>
<tr>
<td>Other State Grants</td>
<td>$263,813</td>
</tr>
<tr>
<td>Truancy Grant</td>
<td>$59,036</td>
</tr>
<tr>
<td>State Free Lunch/Breakfast Program</td>
<td>$30,534</td>
</tr>
<tr>
<td>Driver Education</td>
<td>$29,760</td>
</tr>
<tr>
<td>Career and Technical Education</td>
<td>$3,909</td>
</tr>
</tbody>
</table>
State Revenue Sources

- Evidence Based Model, 86%
- Transportation, 6%
- CTE, 8%
- Other Grants, 1%
- Early Child Education, 1%
- Special Education, 1%
- Driver Education, 2%
- Truancy Grant, 0%
- State Free Lunch/Breakfast Program, 0%
State Revenue Sources

- State revenues are heavily dependent upon
  - Sales Tax Receipts
  - Personal Income Taxes
  - Corporate Taxes

- In the 2nd half of FY 2020 (July 1, 2019-June 30, 2020), state revenues are projected to be down by $2.7 billion

- FY 2021 (July 1, 2020-June 30, 2021) state revenues are projected to be down $4.6 billion, approximately 10% of the total state budget
Federal Revenue Sources

Annual Financial Report 10/2019

- Title I $2,050,039
- National Breakfast/Lunch Program $1,652,364
- IDEA-Special Education $1,144,839
- Title II $271,152
- Medicaid Matching $285,317
- Title V-Rural & Low Income Students $83,110
- Title IV $21,923
Federal Revenue Sources

- Federal sources of revenue are targeted for specific populations in the school community
  - IDEA-Special Education
  - Medicaid-Special Education
  - Title II-Professional Development and Recruiting

- Most federal sources of revenues are flowed through the Illinois State Board of Education and are funded on a reimbursement model.
  - This is significant as the State of Illinois is once again seeing a record back log in payment of bills
  - The District must incur the expense for these programs first and wait for reimbursement, which further reduces available working cash
Galesburg CUSD #205
Financial Trends: Past and Present
The effects of the Great Recession of 2008 had a delayed impact on school districts due to an influx of ARRA money from the federal government in 2009 and 2010.

Illinois schools saw a decline in funding related to the fallout from the Great Recession of 2008 from 2011-2013 after the federal ARRA dollars were gone.

Galesburg CUSD #205 revenues only increased in 2011 and beyond because of the passage of the 1 cent facilities sales tax. The operating funds suffered.

The passage of the Evidence Based Model of Funding in FY 2018, along with district budget reductions in 2016 and 2017, allowed CUSD #205 to rebuild reserves depleted since 2010.
• Beginning in 2013, the District deficit spent for 4 consecutive fiscal years

• In fiscal years 2016 and 2017, over $3 million in reductions occurred to bring stability to the operating funds

• Without these reductions and the Evidence Based Model funding increases, the District would have faced financial insolvency

• Since 2017, the District has slowly been able to increase fund balances and restore programs
  • Teaching and Paraprofessional FTE positions have been added
  • All teachers have received an annual 3% increase since 2014
  • Wage scales of paraprofessionals, nurses, and secretaries have increased
  • Wage scales of food service custodial/maintenance/transportation staff have increased
### Operating Funds Balance 2010-2019

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<tbody>
<tr>
<td>Total Direct Receipts/Revenue</td>
<td>$39,162,354</td>
<td>$42,351,517</td>
<td>$38,022,055</td>
<td>$38,254,248</td>
<td>$37,702,075</td>
<td>$38,283,674</td>
<td>$38,350,744</td>
<td>$38,181,798</td>
<td>$45,453,020</td>
<td>$45,536,174</td>
</tr>
<tr>
<td>Total Direct Disbursements/Expenditures</td>
<td>$37,769,143</td>
<td>$40,608,349</td>
<td>$38,725,540</td>
<td>$39,593,585</td>
<td>$40,609,174</td>
<td>$39,050,330</td>
<td>$40,001,422</td>
<td>$37,284,941</td>
<td>$38,000,075</td>
<td>$38,184,000</td>
</tr>
<tr>
<td>Excess of Direct Receipts/Revenues Over (Under) Direct Disbursements/Expenditures</td>
<td>$1,392,211</td>
<td>$1,743,168</td>
<td>$2,977,315</td>
<td>$(1,039,347)</td>
<td>$(3,176,099)</td>
<td>$(772,658)</td>
<td>$(2,250,678)</td>
<td>$1,896,057</td>
<td>$8,546,303</td>
<td>$8,351,505</td>
</tr>
<tr>
<td>Total Other Sources/Uses of Funds</td>
<td>$0</td>
<td>$499,943</td>
<td>$0</td>
<td>$0</td>
<td>$2,375,684</td>
<td>$0</td>
<td>$756,500</td>
<td>$(105,750)</td>
<td>$0</td>
<td>$(71,800)</td>
</tr>
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<td>Excess of Direct Receipts/Revenues and Other Sources of Funds Over (Under) Direct Disbursements/Expenditures and Other Uses of Funds</td>
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<tr>
<td>BEGINNING FUND BALANCES</td>
<td>$18,887,189</td>
<td>$20,280,019</td>
<td>$22,523,121</td>
<td>$22,820,436</td>
<td>$21,781,089</td>
<td>$16,208,106</td>
<td>$15,435,650</td>
<td>$13,939,552</td>
<td>$15,730,059</td>
<td>$22,277,022</td>
</tr>
<tr>
<td>Other Changes in Fund Balances (Increase/Decrease)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>$15,730,059</td>
<td>$22,277,022</td>
<td>$28,556,919</td>
</tr>
<tr>
<td>% Change Over Time</td>
<td>7.37%</td>
<td>11.08%</td>
<td>1.32%</td>
<td>-4.55%</td>
<td>-25.59%</td>
<td>-4.77%</td>
<td>-9.89%</td>
<td>12.85%</td>
<td>41.62%</td>
<td>28.19%</td>
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Board Policy 4:10

4:10 Fiscal and Business Management

The Superintendent is responsible for the School District's fiscal and business management. This responsibility includes annually preparing and presenting the District's statement of affairs to the Board of Education and publishing it before December 1 as required by State law.

The Superintendent shall ensure the efficient and cost-effective operation of the District's business management using computers, computer software, data management, communication systems, and electronic networks, including electronic mail, the Internet, and security systems. Each person using the District's electronic network shall complete an Authorization for Access to the District's Electronic Network.

Goals and Objectives

Adequate financial support is necessary to operate the schools and provide a quality educational program. To make that support as effective as possible, the Board will:

1. Operate on a fiscally sound basis within a balanced budget whenever possible.
2. Require maximum efficiency in the expenditure of funds and in accounting and reporting.
3. Provide a clean, comfortable, safe environment which facilitates the educational process.
4. Provide an adequate supply of materials and equipment needed in the teaching program.
5. Secure community understanding and support of the fiscal requirements of a good school program.
6. Operate with 180 days cash on hand.
7. Operate with revenue to fund balance ratio of 2:1.
Unknowns

- We don’t know if instruction will occur in-person, through E-Learning, or in a blended learning format.

- We don’t know how many students and/or their parents will not feel comfortable returning to an in-person learning environment because of health concerns.

- We don’t know how many employees will not feel comfortable returning to work because of health concerns.
Concerns

► Local Revenues
  ► Local collection of property taxes could be reduced by as much as 30%
  ► CPPRT revenues are projected to decrease by 20%
    ➢ Potential Impact: - $6.5 million in delayed local property taxes and reduced CPPRT revenue

► State Revenues
  ► State of Illinois is projecting a $4.6 billion revenue shortfall
    ➢ Potential Impact: - $6.5 million in pro-rated and/or delayed EBM and Categorical Grant payments

► Federal Revenues
  ► To-date, the only federal response to COVID-19 for K-12 education is the CARES Act
    ➢ Potential Impact: + $1.5 million in funds to support E-Learning Activities and COVID-19 Response
Concerns

► **Recovery**

► In the *Great Recession of 2008*, the impact of the recession decreased property values and diminished sales tax revenues, resulting in declining revenues from 2009-2013.

► Illinois analysts (PMA/Forecast 5) who work with public education believe the earliest a recovery will begin is 2022.

► The Congressional Budget Office stated that a recovery will take 9 years.