

# FY 2016 Revenue Projections and Considerations

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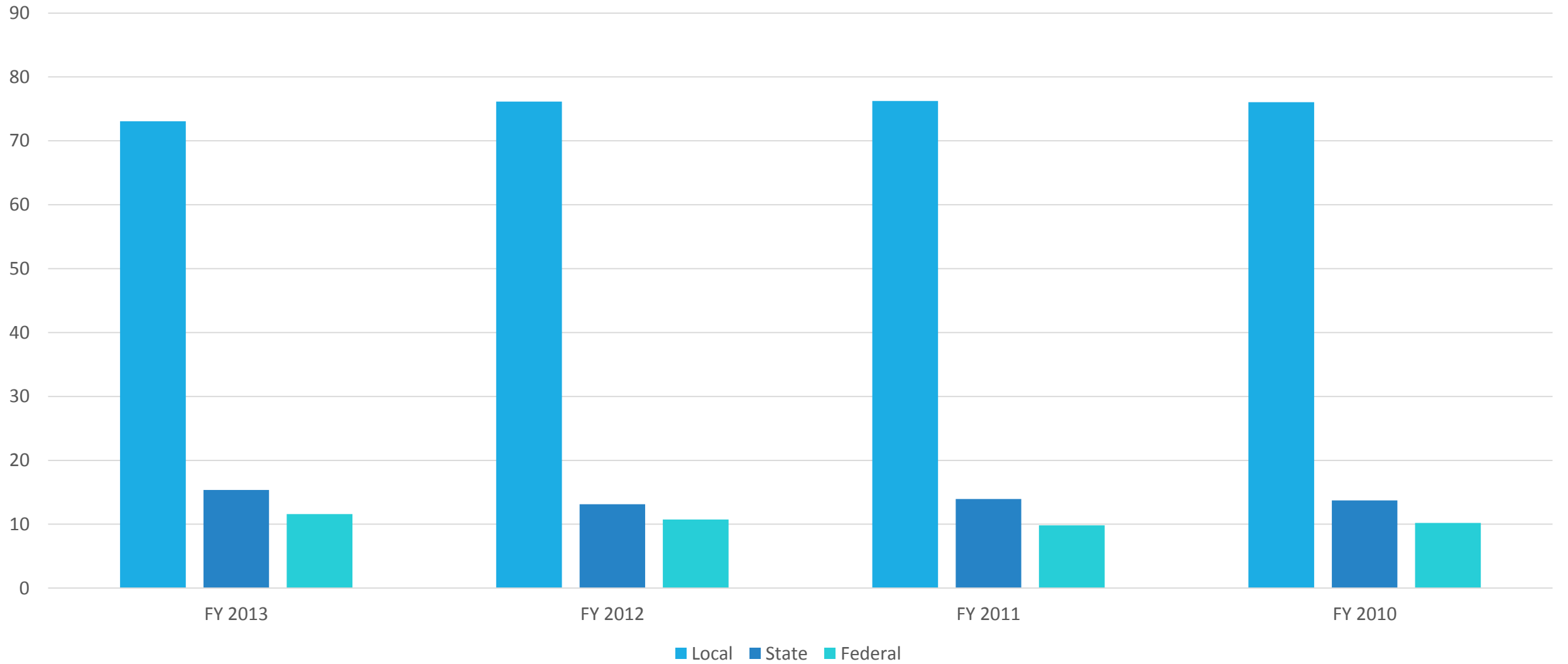
PRESENTATION TO BOARD OF EDUCATION

SEPTEMBER 14, 2015

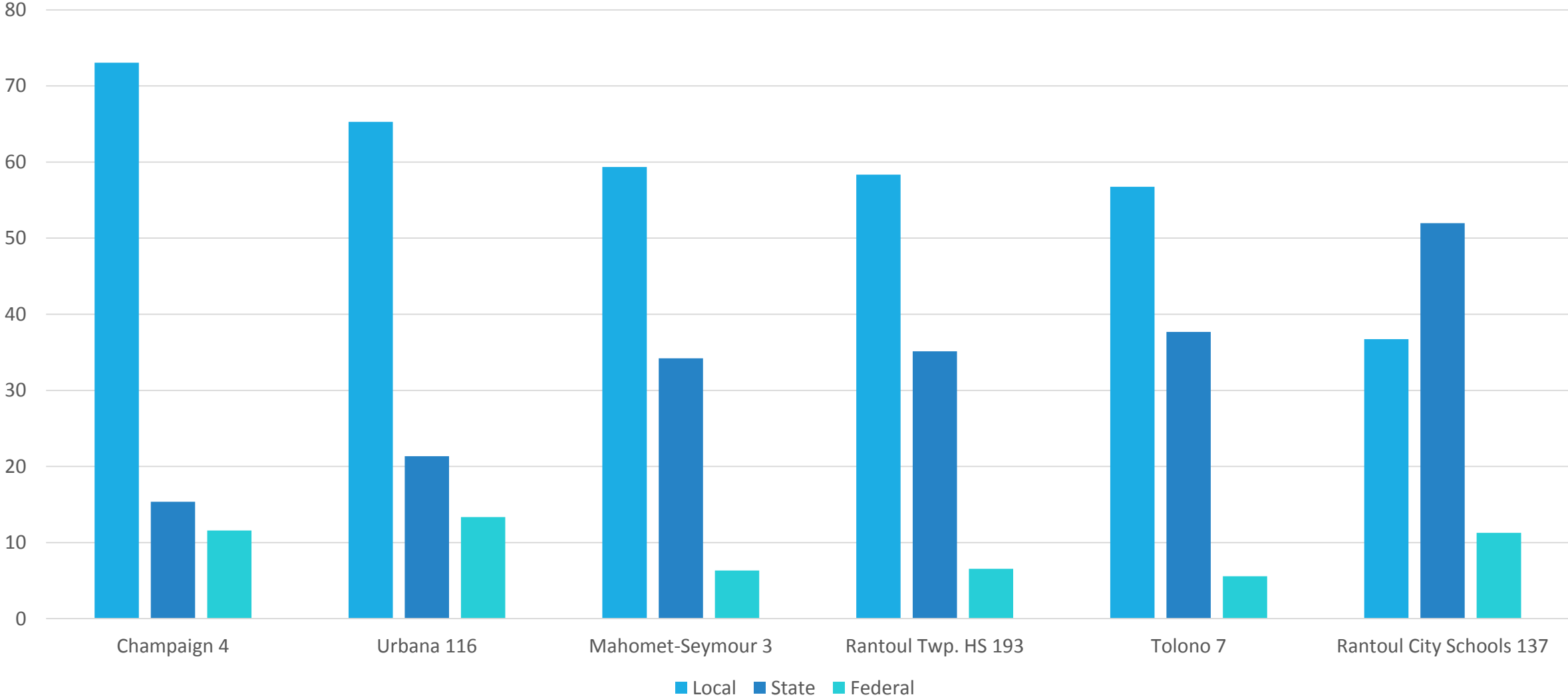
# Introduction

- ❑ A combination of local, state, and federal sources contribute to the District's total revenues.
- ❑ Primary Local Sources
  - ❑ Property Tax Extension (\$82,543,772)
  - ❑ 1% School Facility Occupation Tax (\$7,370,055)
  - ❑ Corporate Personal Property Replacement Tax (\$3,097,920)
  - ❑ Food Service Payments (\$714,581)
  - ❑ Registration Fees (\$344,003)
- ❑ Primary State Sources
  - ❑ General State Aid (\$8,882,685)
  - ❑ Categorical Payments for Special Education (\$4,267,976)
  - ❑ Categorical Payments for Transportation (\$1,679,978)
- ❑ Primary Federal Sources
  - ❑ Title Grants (\$3,821,564)
  - ❑ Breakfast and Lunch Programs (\$2,980,435)
  - ❑ Build American Bonds Reimbursements (\$1,429,990)

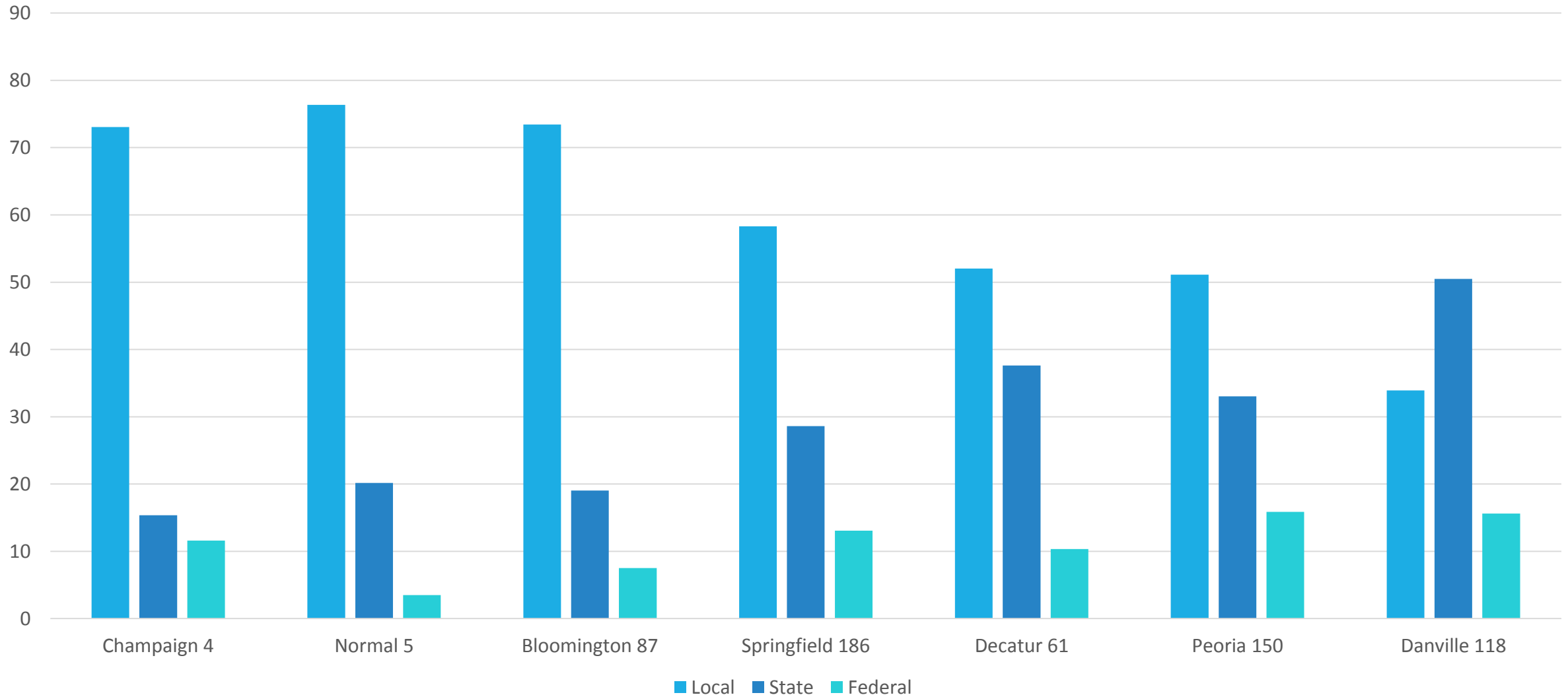
# District Percentage of Revenues Received (FY 2010 – FY 2013)



# Percentage of Revenues Received (FY 2013) – Champaign County Districts



## Percentage of Revenues Received (FY 2013) – Comparison Downstate Districts



# Local Revenues – Property Taxes

- Local property taxes are the largest source of District revenue.
- The annual tax levy is the request made to the County Clerk for property tax revenue.
- The tax extension is the amount of money approved for distribution by the County Clerk.
  - Levy Request
  - Equalized Assessed Value (EAV)
  - Tax Rate
  - Legal Limitation (Tax Caps)

# Local Revenues – PTELL (Tax Caps)

- ❑ The Property Tax Extension Limitation Law (PTELL) limits the amount of revenue certain public taxing bodies can receive. This is often referred to as Tax Caps and was approved by referendum in 1996.
- ❑ Under PTELL, the amount of the District's extension is limited by a formula which sets the tax rate and considers several factors:
  - ❑ The previous year's extension
  - ❑ The Consumer Price Index (CPI)
  - ❑ Equalized Assessed Value
  - ❑ The amount of new construction within the District
- ❑ Generally, there is an inverse relationship between changes in EAV and the tax rate (but not necessarily the amount paid depending on the specific increase or decrease in an individual property's EAV).

# Local Revenues – Senate Bill 318

- ❑ Senate Bill 318 was introduced in January and has changed.
  - ❑ Local Property Tax Freeze for 2016 and 2017
  - ❑ Chicago Teachers Pension Pick-up
  - ❑ General State Aid Committee
- ❑ Impact on Unit 4
  - ❑ Difficulty in Assumptions
  - ❑ 5-year Annual Average Extension Increase (\$2,600,000)
  - ❑ Impact in 2016 and 2017
  - ❑ Impact Beyond 2017
- ❑ Current Status



# Local Revenues – 1% Countywide School Facilities Tax

- ❑ The 1% Countywide School Facilities Tax was passed via referendum in April 2009.
- ❑ Funds received through this tax are used to:
  - ❑ Pay principal and interest on 1997, 2006B, and 2010 Series bonds issued to complete promised projects.
  - ❑ Fund projects placed on the District's Capital Improvement Plan and identified in the Health Life Safety audit.
- ❑ To date, the District has received over \$37,000,000 through this tax.

# Local Revenues – Tax Increment Financing

- ❑ Tax Increment Finance (TIF) districts are a tool used by communities to encourage development and increase the tax base of the taxing districts within the TIF district's borders.
- ❑ Current TIF Districts within Unit 4:
  - ❑ Downtown (expires in 2017)
  - ❑ East University Avenue (expires in 2022)
  - ❑ North Campustown (expires in 2025)

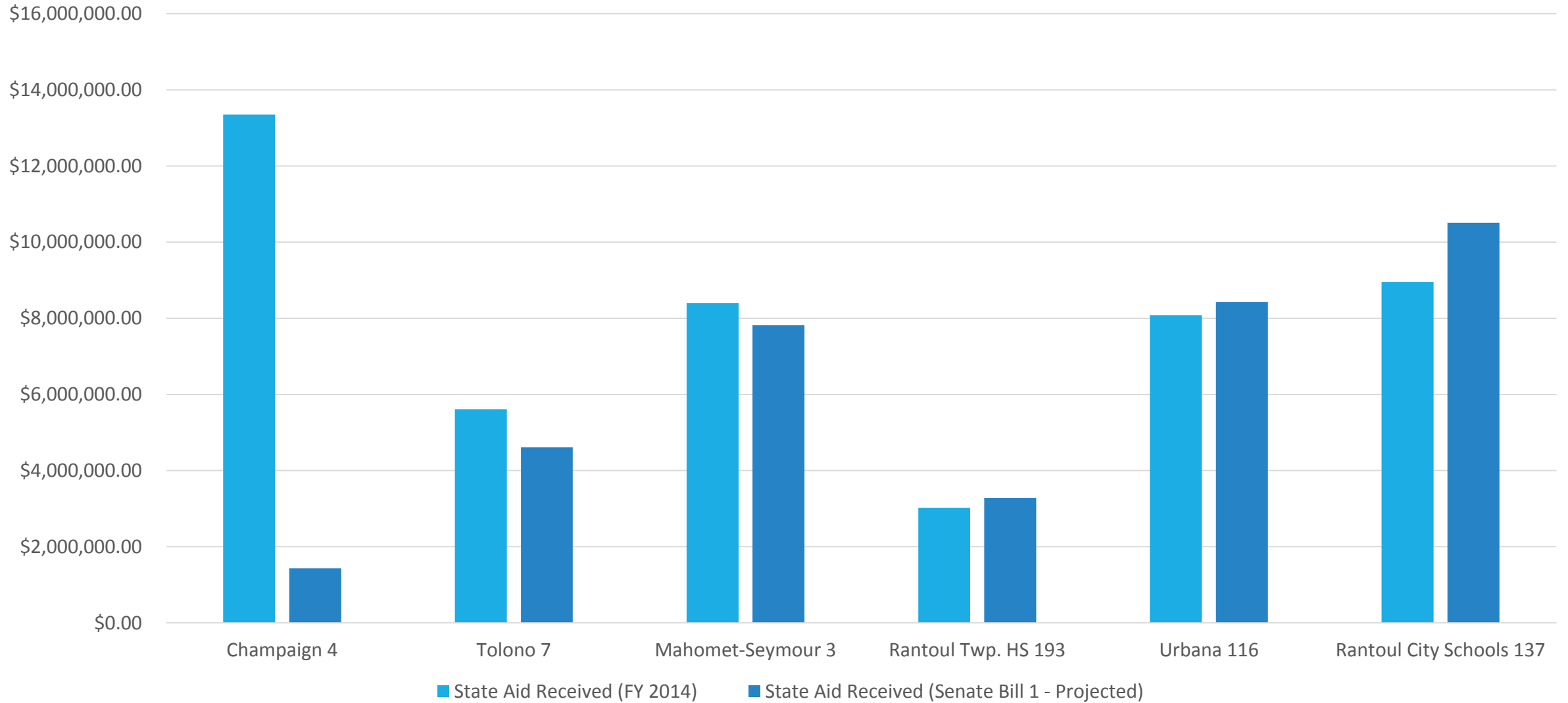
# State Revenues – General State Aid

- ❑ Currently, the majority of the District's state revenue is received through the General State Aid formula.
- ❑ Alternate Formula
  - ❑ Focused primarily on Average Daily Attendance and the Foundation Level
  - ❑ History of Foundation Level Increases
  - ❑ History of Prorations
- ❑ The District also receives supplemental General State Aid tied to its low-income population.
- ❑ Categorical payments for transportation and special education are smaller – but not insignificant – contributions to specific areas within the District's budget.

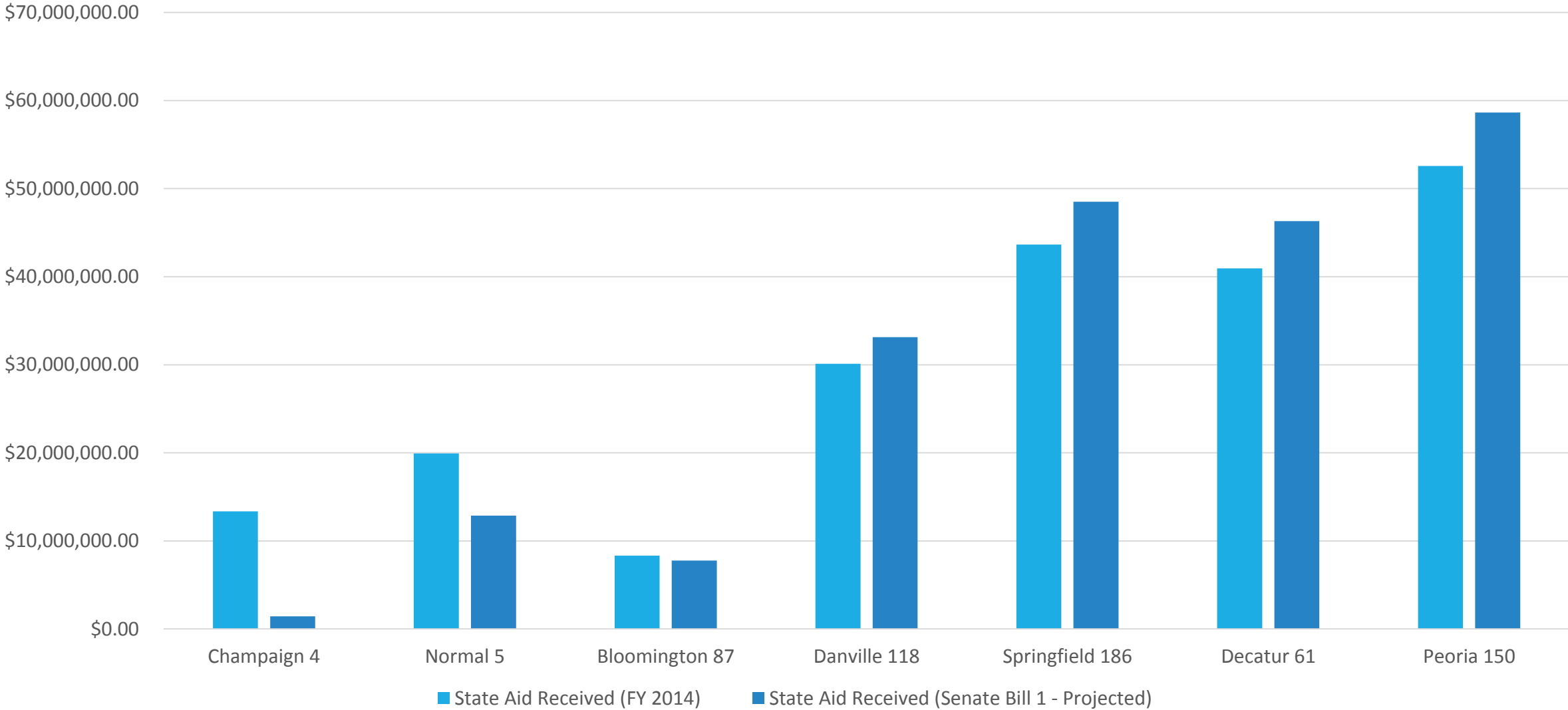
# State Revenues – Senate Bill 1

- ❑ History of Senate Bill 1
- ❑ New Primary State Aid Formula
- ❑ Based on projections released by ISBE, the District would not lose any state aid dollars so long as the PTELL and Adequacy Grants outlined in the legislation were fully funded.
  - ❑ PTELL Grant (\$3,310,726)
  - ❑ Adequacy Grant (\$8,605,342)
- ❑ Because much of the State's contribution to the District under Senate Bill 1 is tied to the Grants rather than the formula, elimination of the PTELL Grant or non-implementation or elimination of the Adequacy Grant would result in a significant loss to the District.
- ❑ If the Grants are fully funded (and continue to be fully funded), there is not as much of a concern regarding the changes presented by Senate Bill 1; however, given the State's precarious financial position, it is much more difficult to be in a position where the District is dependent on State revenue through grants (particularly new ones) rather than guaranteed under the mathematical formula.

## Comparison of Revenues Under Senate Bill 1 Primary State Aid Formula – Champaign County Districts

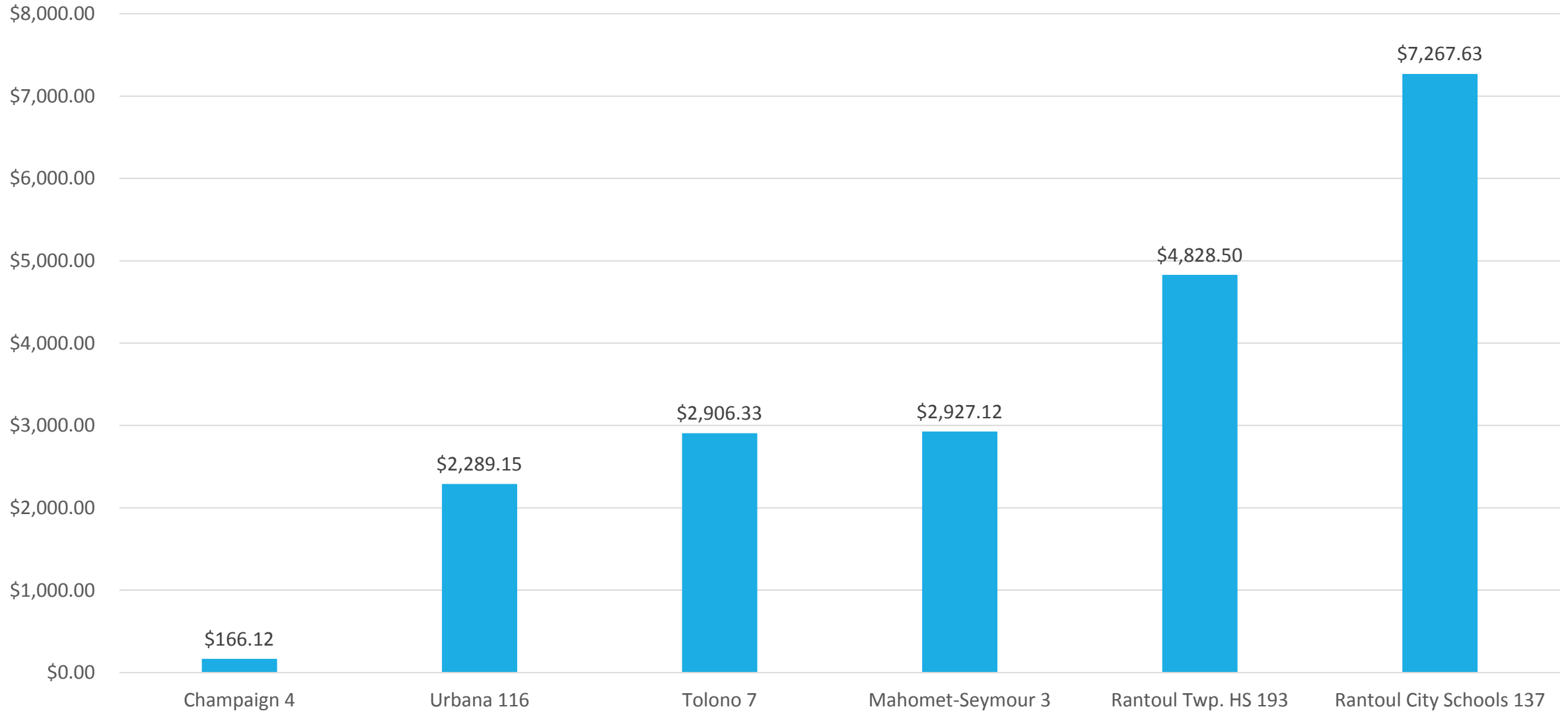


# Comparison of Revenues Under Senate Bill 1 Primary State Aid Formula – Comparison Downstate Districts

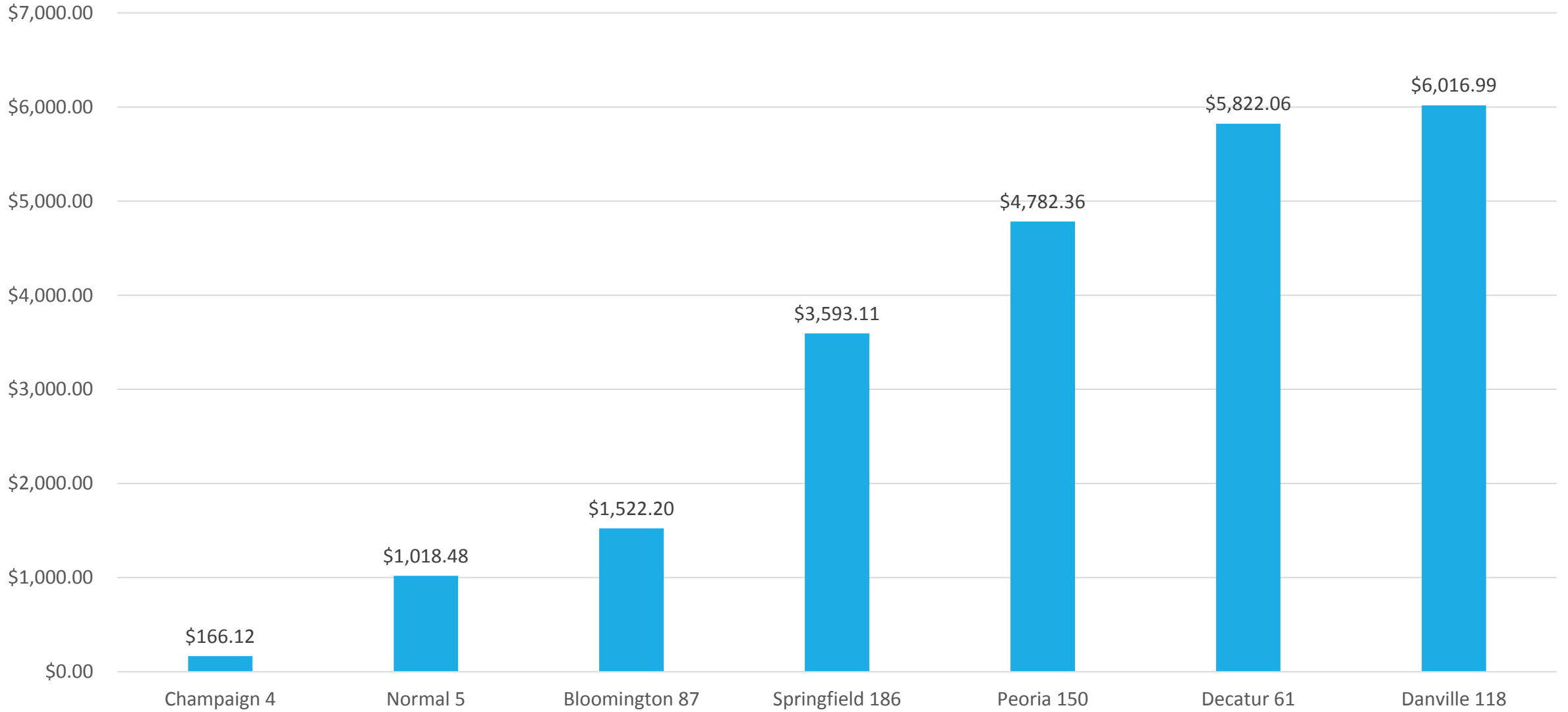


SOURCE: ISBE PROJECTIONS SIMULATION (MARCH 2015) (NOTE: DATA EXCLUDES GRANTS)

## State Contribution Per Student Under Senate Bill 1 Primary State Aid Formula – Champaign County Districts



## State Contribution Per Student Under Senate Bill 1 Primary State Aid Formula – Comparison Downstate Districts





# State Revenues – Pension Cost Shift

- ❑ House Bill 4272
  - ❑ Shifts State's Contributions to Local Districts
  - ❑ Changes Funding Goal to 100%
  - ❑ Changes to State Funding Formula
- ❑ On Behalf Payments (\$18,741,358 in FY15)
- ❑ Importance of Phase In Approach

# Federal Revenues – Title Grants

- ❑ Title I: Disadvantaged/Low Income Students
- ❑ Title II: Teacher/Principal Quality
- ❑ Title III: Limited English Proficient (LEP) Students

# Federal Revenues – Build America Bonds

- ❑ Build America Bonds were issued as part of the District's 2010 Bond Issue.
- ❑ Impact of Sequestration
- ❑ History of Reimbursements Lost
- ❑ Impact on Fund 61 projects, Capital Improvement Plan and Ability to Access 1% Revenues

# Summary

- ❑ The District will continue watching very closely legislative developments, particularly at the state level, as well as local development and assessment trends.
- ❑ The District will continue to advocate at the state level for allocation of adequate funds prior to engaging in the reallocation of inadequate funds.
- ❑ The District will budget very cautiously as significant changes to the revenue the District receives, primarily at the state level, could occur.