

School Finance: Revenues for the Novice

*IASBO Principles of School Finance
Professional Development Committee*



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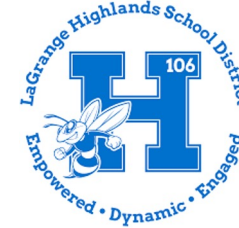


Introductions

Scott Beranek, Speaker
- *Chief School Business Official*
Lindop School District 92



Katie Hannigan, Speaker
- *Director of Finance and Operations/CSBO,*
LaGrange Highlands School District 106



Yasmine Dada, Moderator
- *Retired CSBO*
- *Interim CSBO*

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Outline – Sources of Revenue

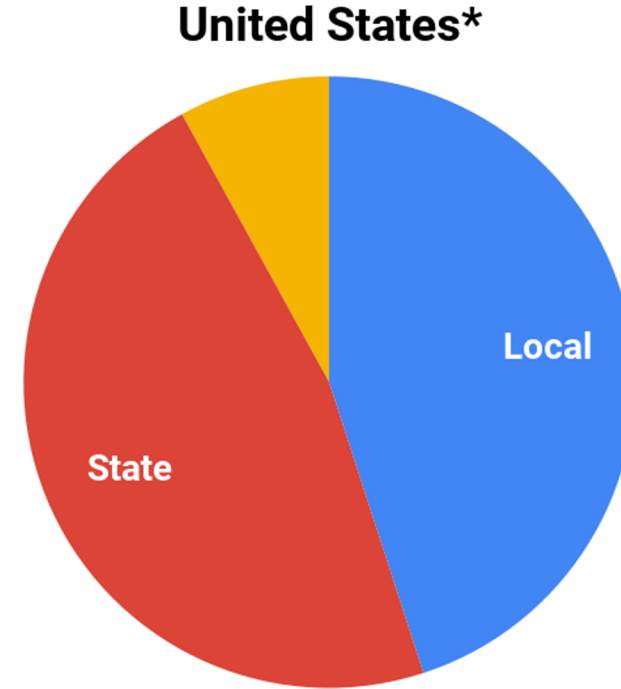
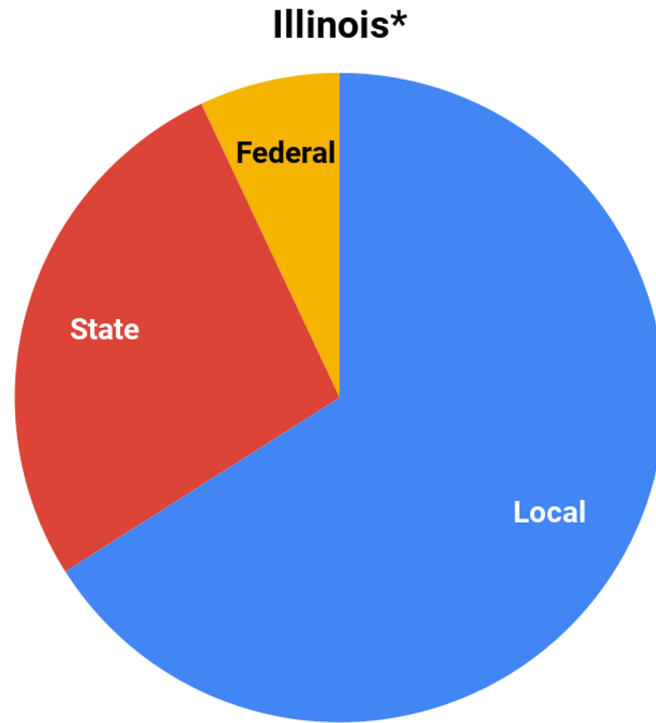
- **Local Revenues**
 - Property Taxes
 - CPPRT
- **State Revenues**
 - Evidence-Based Funding
 - Categorical Grants
- **Federal Revenues**



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Sources of Revenue FY2019



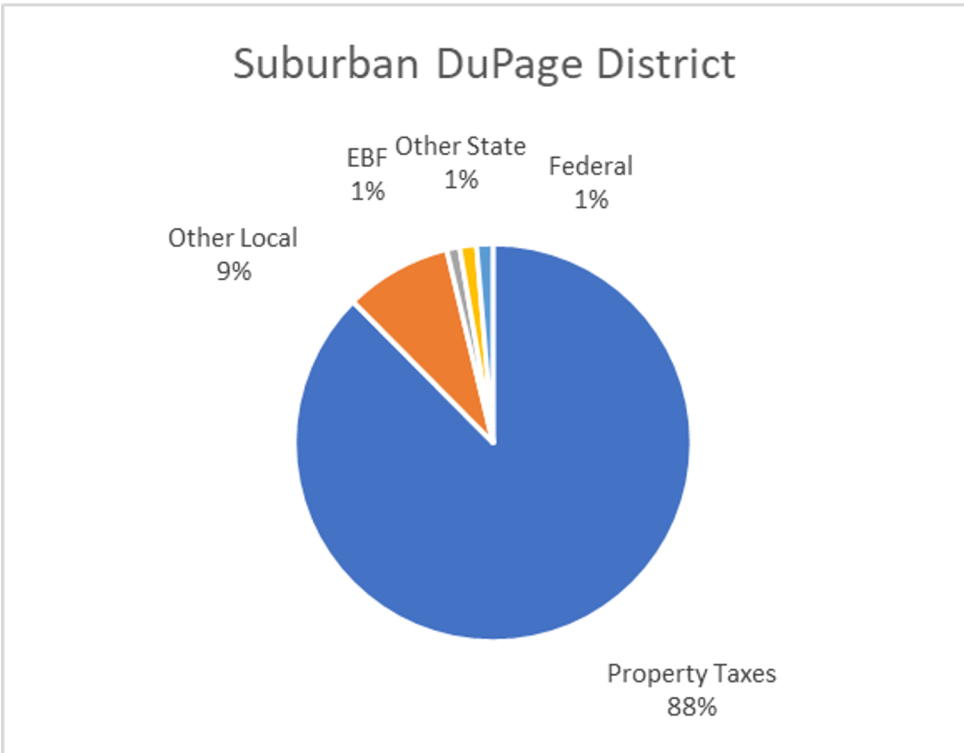
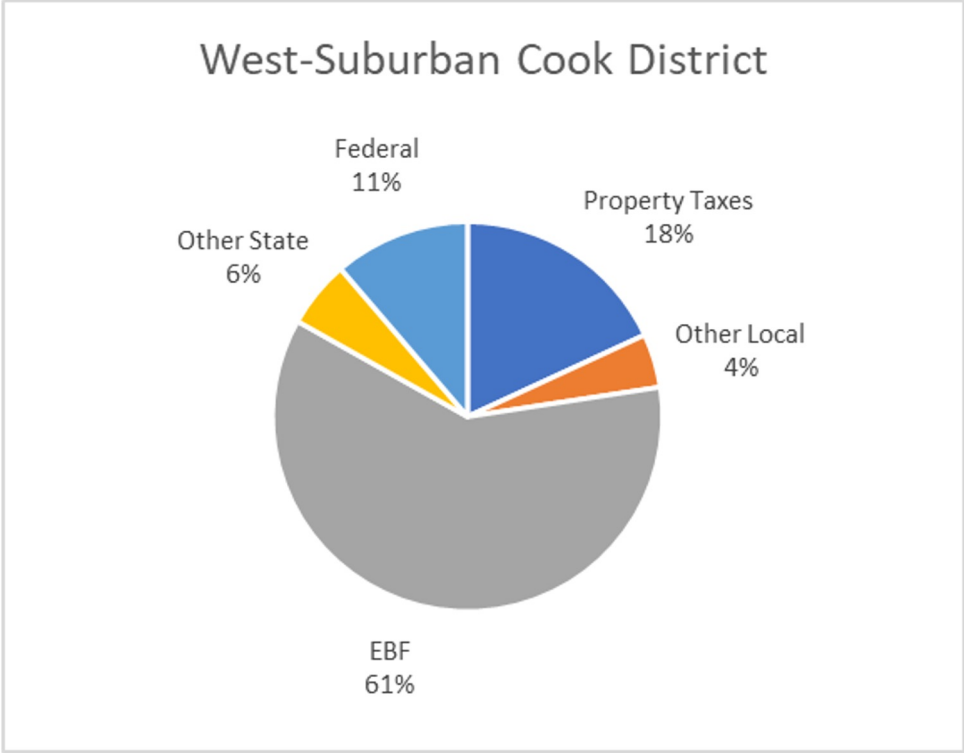
* Source: *Revenues and Expenditures for Public Elementary and Secondary Education: FY 18*, Table 1, National Center for Education Statistics (NCES)



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Revenue by Source Comparison



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Local Revenues



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Local Property Taxes

- Main source of revenue
- Property Tax Cycle
 - Assessment Process
 - Levy & Extension Process
- PTELL
- Important to know the points of control



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The Property Tax Cycle

- Assessment Process- determine tax base (values)
- Levy Process – convert tax base into revenue



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Assessment Process

- Goal = value of *taxable* properties in district (tax base)
 - Equalized Assessed Value (EAV)
- Tax Exempt Properties
 - Government property
 - Legally Not-for-Profits
 - Places of worship, some hospitals
- Tax Increment Financing (TIF) Districts
 - Additional value not added to district tax base



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Assessment Process (cont.)

- Rule: Property to be assessed at 1/3rd of fair market value
- Exceptions:
 - Cook County – classification system
 - Farmland – 1/3rd of contribution to farm's productivity
 - Railroads, mines, and certain pollution control devices
- Business property utilizes capitalized income flow



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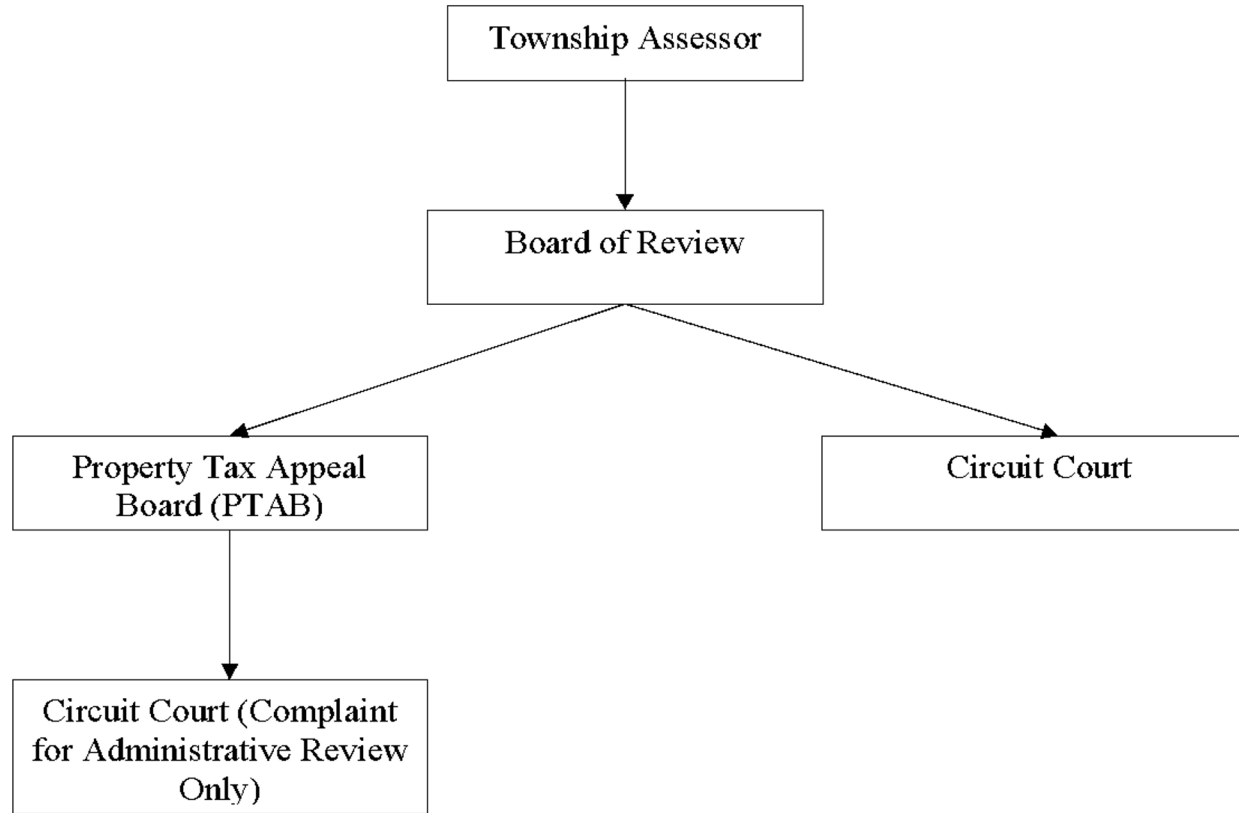
Assessment Process (cont.)

- What is value as of January 1st of tax year?
- Step 1: Assessor values properties
- Step 2: Board of Review
 - Hears appeals to assessed values, finalizes assessments
 - Corrects of under, over, and non-uniform assessments



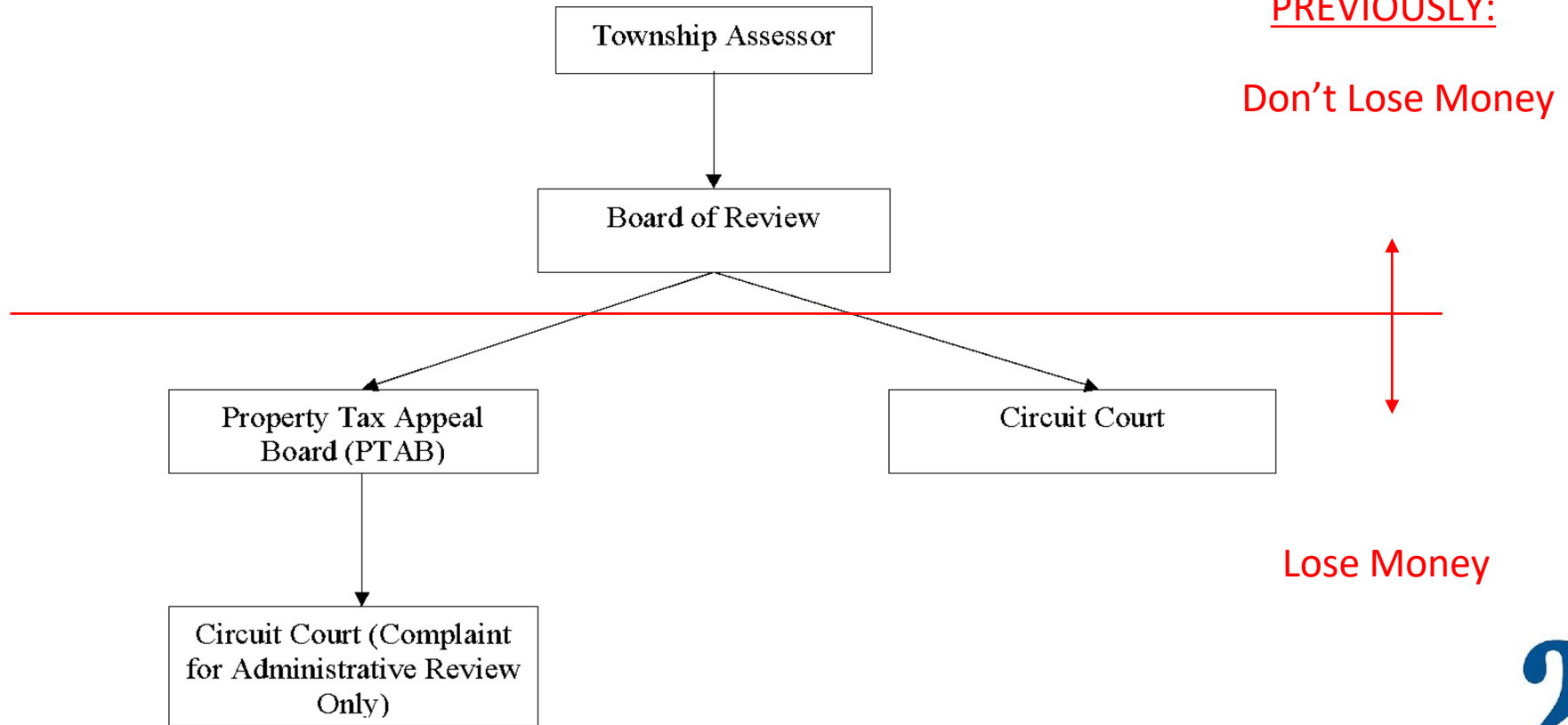
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Tax Appeals, Refunds, PTAB



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Tax Appeals, Refunds, PTAB



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SB 508

- Modified Section 18-233 of the Illinois Property Tax Code
- Began in levy year 2021
- ***Automatically*** increases levies to making districts “whole” for all refunds (prior year decreases) that result from:
 - Issuance of a certificate of error
 - Circuit Court Orders issued pursuant to assessment valuation complaint under Section 23-15
 - PTAB decision
- On or before November 15th of each year, the County Treasurer shall certify the aggregate refunds.



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Assessment Process (cont.)

- Step 3: State Equalization
 - Illinois Dept. of Revenue multiplier to valuations of each county to get to 1/3rd of fair market value
- Step 4: County Clerk applies multiplier to calculate final Equalized Assessed Value
- Goal reached! – EAV determined.



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Meanwhile...



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Levy and Extension Process

- Levy – amount of tax revenue (actual dollars) requested
- Extension – amount of tax revenue billed



Levy and Extension Process (cont.)

- Plan levy (Admin)
 - Analyze and estimate
- Adopt Levy (Board)
 - Board Action
- Extension (Clerk)
 - Determine approved taxes
- Collection (Treasurer)
 - Tax bills to taxpayers
- Distribution (Treasurer)
 - Send tax receipts to taxing districts



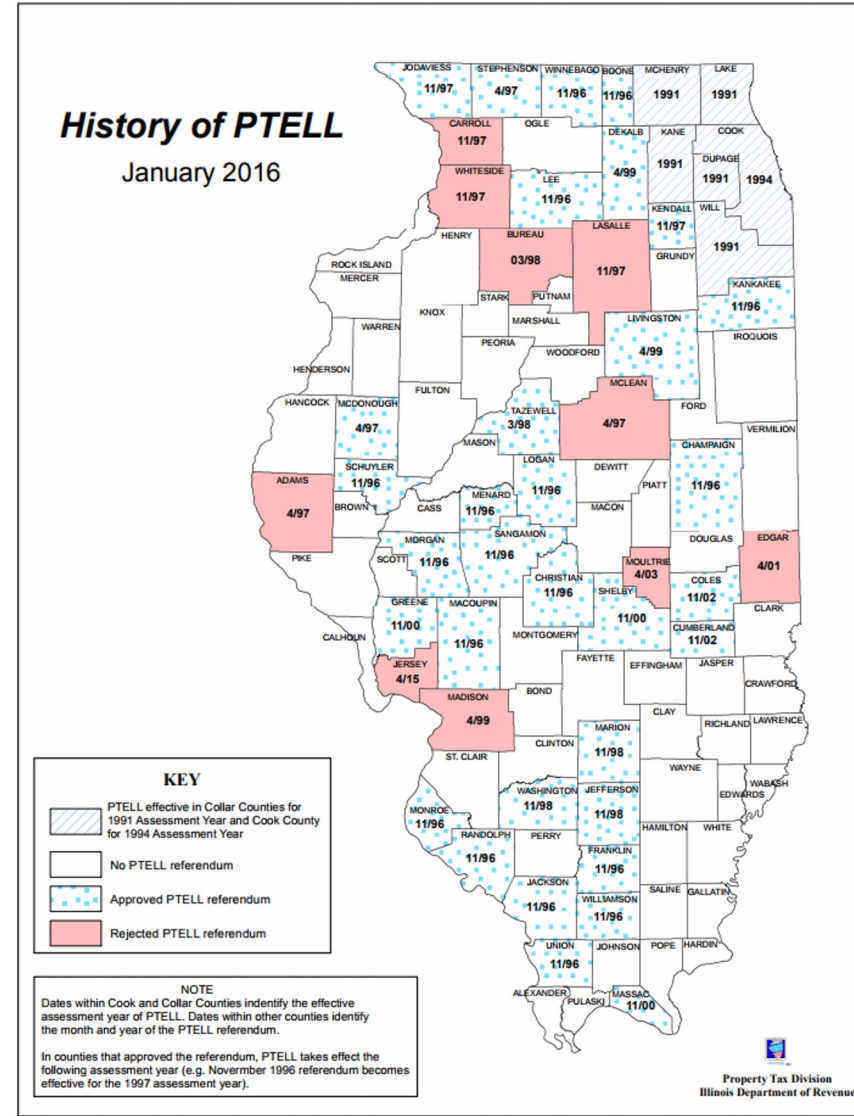
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Property Tax Extension Limitation Law (PTELL)

- “Tax Cap” enacted in Collar Counties in 1991 and Cook County in 1995
- Limits amount of property tax revenue a district may receive by 5% or CPI, whichever is less
 - Consumer Price Index (All Urban Consumers)
 - Essentially “rate of inflation”
 - Does not limit “New Property”



Tax Capped Counties



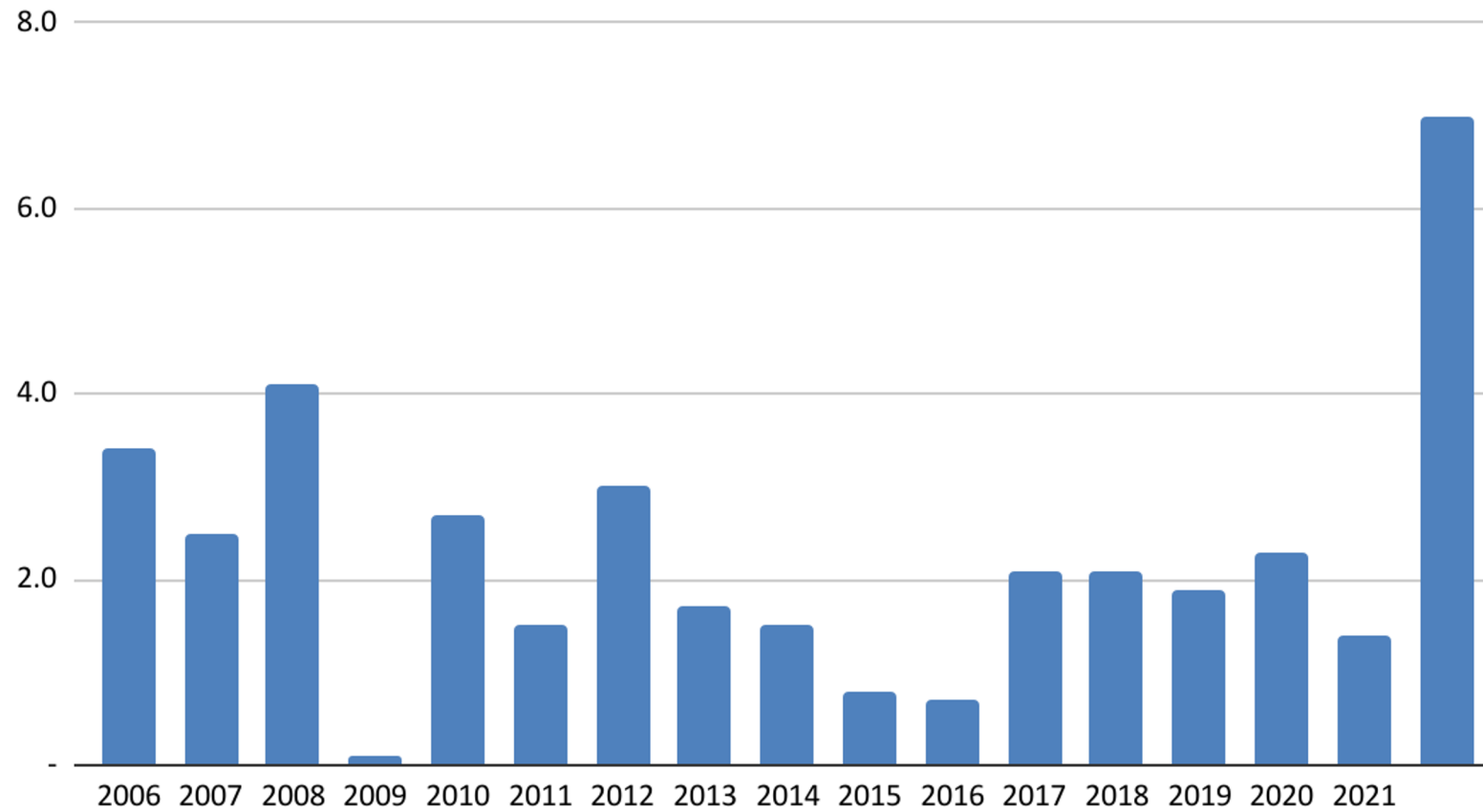
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CPI

Consumer Price Index (CPI) % Change Dec. to Dec.



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PTELL (cont.)

- Formula = Limiting Rate
 - Prior Yr Extension x (1+lessor of CPI or 5%)
Current Year EAV – New Property
- Does not include Debt Service
 - Nor SEDOL IMRF (Lake County)
- What can be extended this year is based on what was extended last year



PTELL (cont.)

- Formula = Limiting Rate
 - $\frac{\text{Prior Yr Extension} \times (1 - \text{Lesser of CPI or 5\%})}{\text{Current Year EAV} - \text{New Property}}$
- Does not include Debt Service
 - Nor SEDOL IMRF (Lake County)
- **What can be extended this year is based on what was extended last year**

PTELL Summary

- You are allowed to receive the same amount of money you received last year, ***adjusted for inflation.***
 - New property is added on top
- “Same amount of buying power”



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Levy Variables

- Known Variables
 - Prior Year Extension (from County)
 - Not including Debt Service
 - CPI (from BLS)
- Unknown Variables
 - EAV (estimate from Assessor)
 - New Property (estimate from Assessor)



Levy Estimate

- Prior Year Extension = \$30,000,000
- CPI = 7% (capped at 5%)
- Current EAV = \$900,000,000
- New Property = \$10,000,000

$$\frac{30,000,000 \times (1 + 0.05)}{900,000,000 - 10,000,000} = 3.539326\%$$

(Limiting Rate)



Levy Estimate (cont.)

- Extension = EAV x Rate

$$900,000,000 \times 3.539326\% = \underline{\underline{31,853,934}}$$

- Prior year 30,000,000
- % Change = 106.2%
 - 5% CPI + New Property



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Truth in Taxation

- At least 20 days before adopting levy, Board must estimate the levy
- If the aggregate estimate is more than 105% of the aggregate extension in the prior year, must have public hearing
 - **“Aggregate” does not include Bonds, but DOES include SEDOL IMRF (Lake County)**
- Hearing cannot coincide with budget hearing



Truth in Taxation (cont.)

- Must publish notice of hearing
 - No more than 14 days and no less than 7 days prior to hearing
- Notice published in English language newspaper of general circulation in District
- Notice cannot be placed in part of newspaper with legal notices and classified ads



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Truth in Taxation (cont.)

- Specifies form of notice – if notice includes ANY information in addition to prescribed notice, it is invalid (and so is your levy!)
- Notice must be at least one-eighth of a page, use no less than 12 point type, and have black border no less than one-quarter inch wide.



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Levy Example (cont.)

- October 15th – Estimated Levy
- November 12th – Levy Hearing
- November 4th – Notice in Paper
- November 12th – Final Adoption
- November 13th – File with County Clerk
- Not due till Last Tuesday in December, but gives an extra month for mishaps.



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Property Tax Cycle

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Year 1												Year 2											
Value Date: Jan 1	█																							
Assessor values properties	█	█	█	█	█	█	█																	
Assessments Published				█	█	█	█	█																
Appeals - Board of Review						█	█	█	█	█	█	█												
Board of Review Findings											█	█	█											
Appeals - PTAB											█	█	█	█	█	█	█	█	█	█	█	█	█	
State Equalization														█	█	█	█	█						
Final EAVs															█	█	█	█						
Budget for Levy (Admin)				█	█	█	█	█	█															
Plan for Levy (Admin)								█	█	█														
Adopt Levy (Board)										█	█	█												
Extension (Clerk)															█	█	█	█						
Tax Bills (Treasurer)													█	█	█	█	█	█						
Collection/Distribution (Tr)														█	█	█	█	█	█	█	█	█	█	█

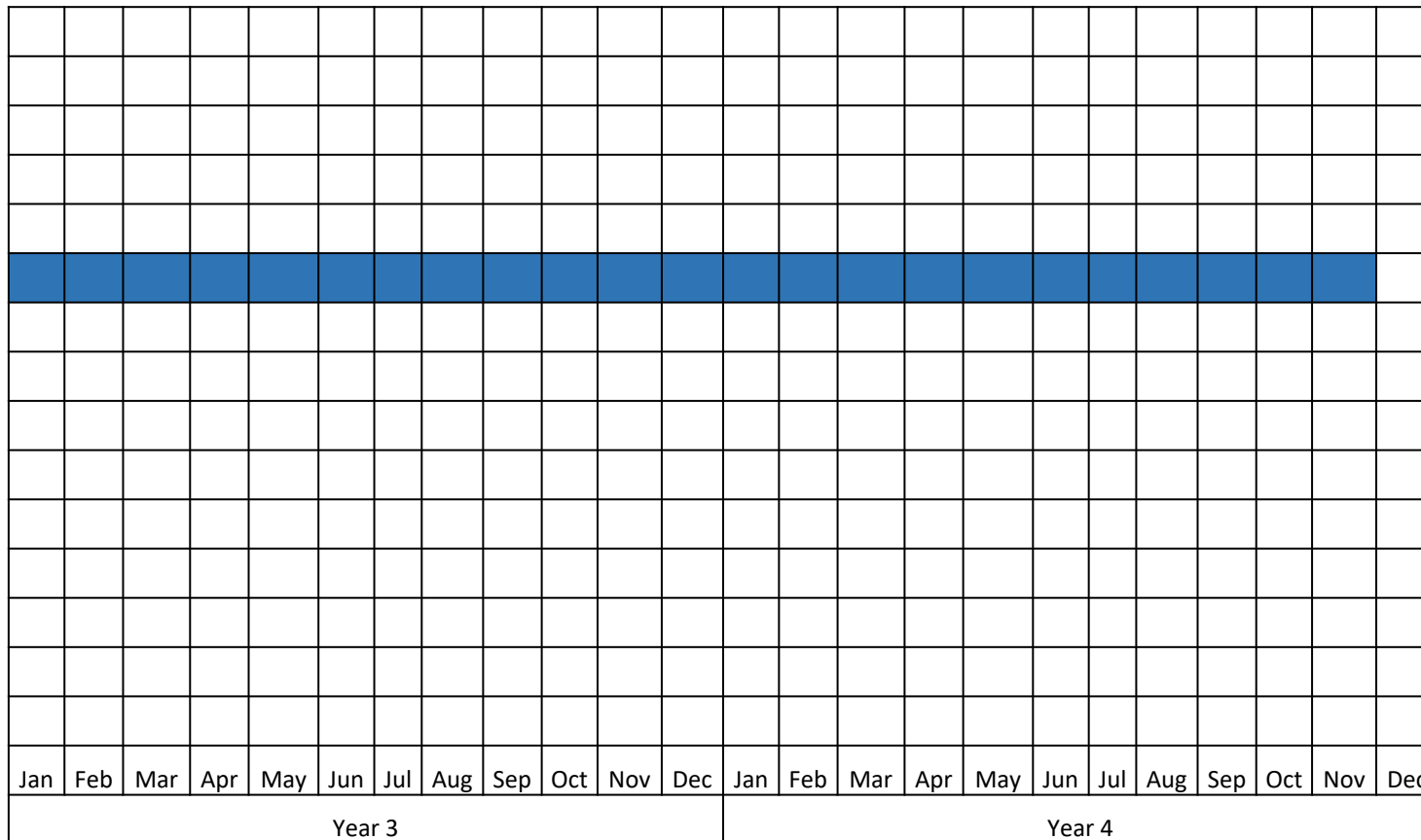


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Property Tax Cycle

PTAB



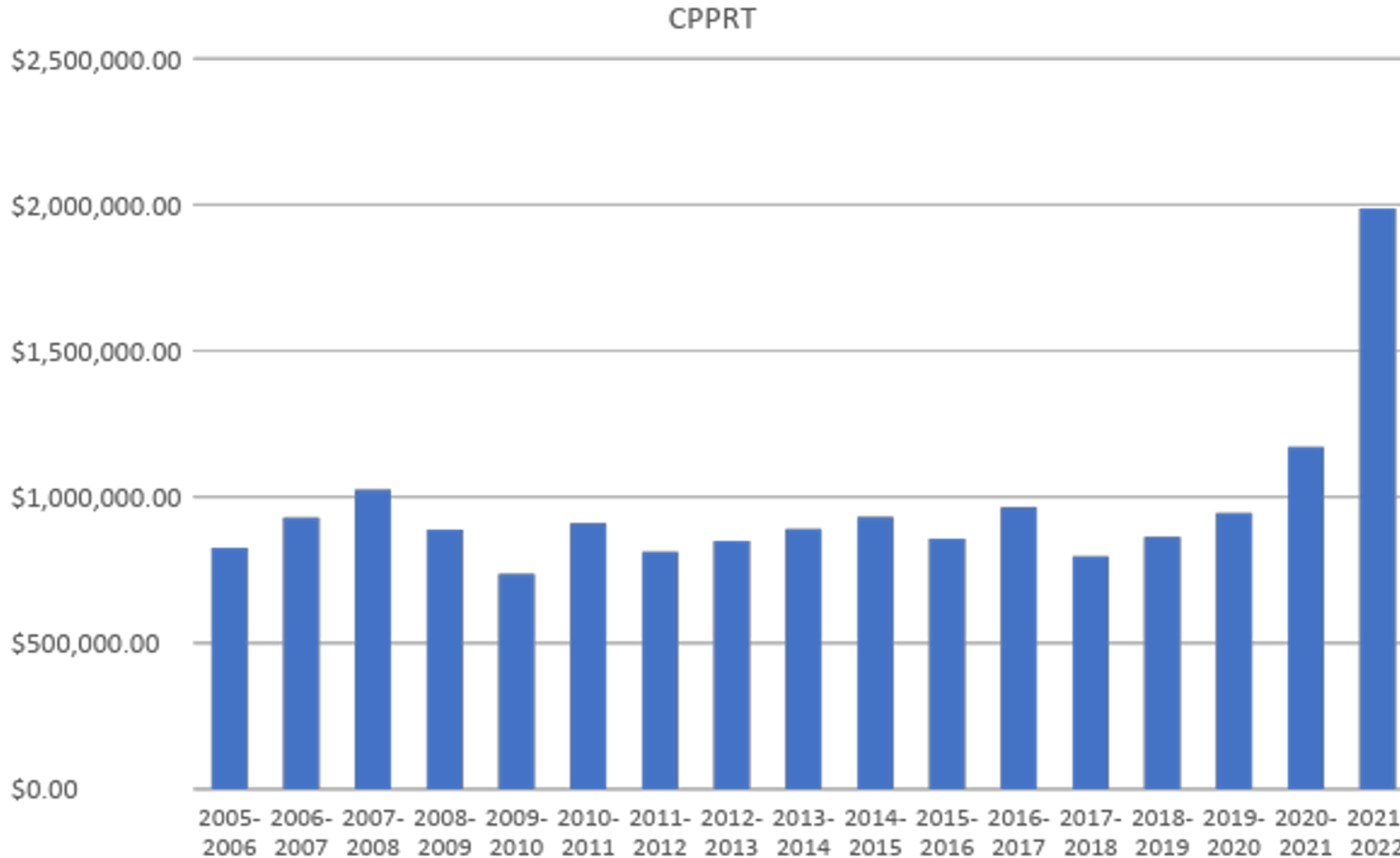
Corporate Personal Property Replacement Tax (CPPRT)

- Created in the late 1970s when the personal property tax was repealed. The allocation mechanism has remained the same ever since.
- Districts may use CPPRT revenues for any lawful purpose.
- For some districts, CPPRT is a large line-item, for others, it is not; amount received depends upon the makeup of the community in the 1970s.



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A lot of CPPRT this year



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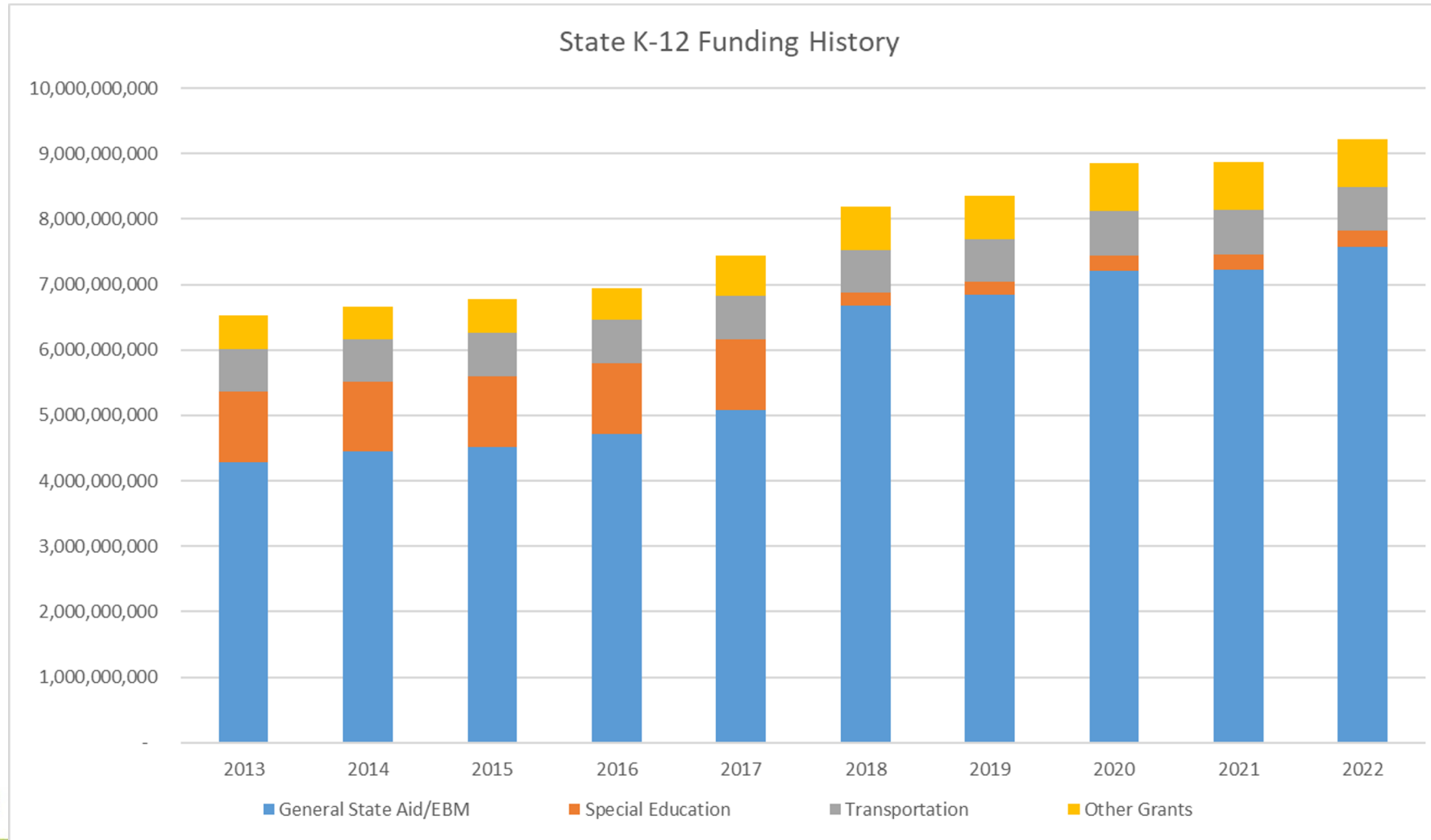
State Revenues



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Recent State Funding History



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State Funding Proration

Proration History				
	GSA/EBF	Regular Transportation	Special Education Transportation	Special Education Private Facility
2022	100.0%	95.0%	100.0%	80.0%
2021	100.0%	89.3%	85.2%	78.0%
2020	100.0%	84.5%	82.9%	80.0%
2019	100.0%	81.7%	85.7%	80.0%
2018	100.0%	84.3%	91.0%	90.0%
2017	100.0%	71.2%	91.8%	96.0%
2016	92.1%	70.3%	96.8%	94.0%
2015	87.2%	72.1%	97.0%	97.0%
2014	88.7%	73.7%	97.2%	94.0%
2013	89.2%	75.5%	99.7%	92.0%
2012	95.0%	77.8%	100.0%	87.0%
2011	100.0%	74.0%	100.0%	100.0%
2010	100.0%	100.0%	100.0%	99.0%

Special Education Personnel, Funding for Children and Orphanage have remained fully-funded



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Distribution of State Funding

2017 & Prior

- 3001 GSA
- 3105 Funding for Children Requiring Special Education
- 3110 Special Education Personnel
- 3145 Special Education Summer School
- 3305 Bilingual TBE/TPI



2018 & Beyond

- 3001 **Evidenced Based Funding includes 3105, 3110, 3145, 3305**

Ongoing

- 3100 Spec Ed - Private Facility
- 3120 Spec Ed - Orphanage
- 3500 Transportation - Regular
- 3510 Transportation - Spec Ed
- 3705 Early Childhood



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The Evidence Based Model (SB1947)

Core Values

1. **Recognizes** individual student needs
2. **Accounts** for differences in local resources
3. **Closes** funding gaps & keeps them closed
4. **Provides** a stable, sustainable system that gets all districts to adequacy over time.

#norednumbers

SB1947 meets these four requirements for an equitable funding system, and does so while ensuring that no district loses funding.

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Illinois ASBO

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How Does SB1947 Work?

Overview Of The Model

1. ADEQUACY TARGET

How much does providing high quality education cost?

2. PERCENT OF ADEQUACY

How well-funded is the district?

- LOCAL CAPACITY**
How much can the district contribute?
- BASE FUNDING MINIMUM**
How much does the state currently contribute?
- GAP TO ADEQUACY**

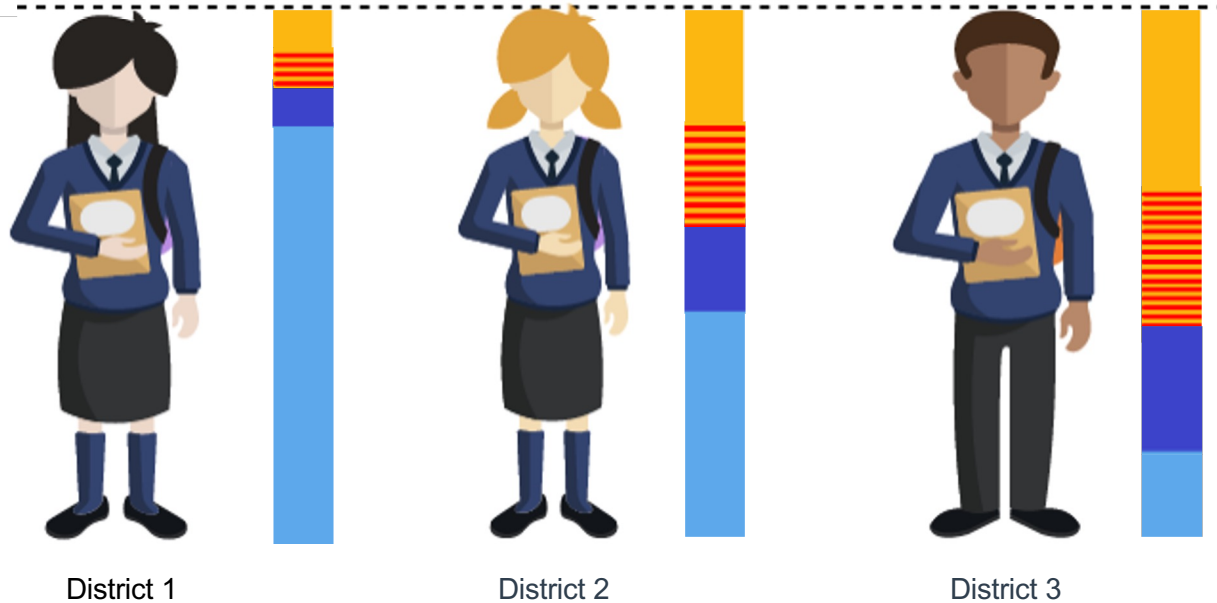
LOCAL CAPACITY



3. DISTRIBUTION FORMULA

How is new money from the state distributed?

100% of Adequacy Target



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Basics

- Enrollment = Greater of prior year average (collected Oct.1/Mar.1 & Dec. 1 for ECSE) or average of prior 3 years.
- Calculate each district's Adequacy Target based on 34 evidence-based criteria
- Comparable Wage Index (CWI) is used to adjust for cost of living differences across the state
- Establish Base Funding Minimum – total each district previously received from the state. No district loses money in new formula.
- Local Capacity Target: Determines how much a district should be contributing through local resources
 - Includes Property Taxes and CPPRT
 - Districts with lower property wealth are expected to contribute less than higher wealth districts



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Tier Distribution

Each district is assigned to a Tier based on how close it is to its Adequacy Target

Tier	% of New Funding	Adequacy Level
Tier 1	50%	$\leq 65\%$
Tier 2*	49% (*includes Tier 1 districts)	90%
Tier 3	0.9%	100%
Tier 4	0.1%	$> 100\%$



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Evidence-Based Best Practices

Core FTE	K-3	4-8	9-12
Core Teacher	20	25	25
Core Teacher (Low Income)	15	20	20
Specialist Teachers	20% of Core	20% of Core	33% of Core
Instructional Facilitators	200	200	200
Core Intervention Teachers	450	450	600
Substitutes – 9 days/FTE at 33% of average teacher salary			
Guidance	450	250	250



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Evidence-Based Best Practices

Core FTE	K-3	4-8	9-12
Nurse	750	750	750
Supervisory Aides	225	225	200
Librarian	450	450	450
Library Aide/Media Tech	300	300	300
Principal	450	450	600
Asst. Principal	450	450	600
School Site Staff	225	225	200



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Evidence-Based Best Practices

Per Student	
Gifted	\$40
Professional Development	\$125
Instructional Materials	\$195
Assessment	\$25
Computer Technology	\$285.50 +\$285.50 by grant for Tier 1 and 2
Student Activities	\$100 (K-5), \$200 (6-8), \$675 (9-12)



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Evidence-Based Best Practices

Central Services	
Maintenance and Operations	\$1038/student
Central Office	\$742/student
Employee Benefits	30% of salary Salary = \$352.92 Salary = \$468.48 Tier 3 for all districts



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Evidence-Based Best Practices

Diverse Learners – Poverty/EL	Per DHS Count	Per EL Student
Intervention	125	125
Pupil Support	125	125
Extended Day	120	120
Summer School	120	120
English Learners	NA	100



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Evidence-Based Best Practices

Diverse Learners – Special Education	
Special Education Teachers	1 teacher per 141 students
Psychologist	1 psychologist per 1000 students
Special Education Aides	1 paraprofessional per 141 students

Other Provisions

- **Mandate Relief**

- Allows a school board to determine the frequency of PE as long as it is a minimum of 3 days per 5-day week. Allows districts to exempt on a case-by-case basis 7th – 12th grade students who participate in sports.
- Allows districts to contract with a third party for Driver's Education.
- Provides a “streamlined” process for mandate waivers.

- **Minimum Funding Level**

The minimum amount of funds to be appropriated and maintain the allocations across all four Tiers is \$350m. Up to \$50m of that minimum may be applied to the Property Tax Relief Fund. If the Minimum Funding Level is not reached annually, Tier 1 allocation rate changes according to a formula and all resources are directed to Tier 1.

- **No More Individual Ed Fund Tax Rate Limit for PTELL Districts**

Eliminates the individual education fund tax rate limit for districts under PTELL as long as the aggregate limiting rate is not exceeded.

*Michael A. Jacoby, Ed.D.
Illinois ASBO*



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Other Provisions

- **Property Tax Relief Fund**

A mechanism for high tax districts to receive grants to lower their property taxes. Eligible districts must apply for Property Tax Relief grants and grants will be awarded in order of unit equivalent tax rate, starting with eligible districts with the highest unit equivalent tax rate. For unit districts, the tax rate is unaltered. For elementary districts, the tax rate is multiplied by a factor of 13/9. For high school districts, the tax rate is multiplied by a factor of 13/4. The result is the unit equivalent tax rate. In order to receive grant funds, awarded districts must abate taxes in an amount not less than the grant; generally, for high EAV districts, the amount of the grant will be a lower percentage of the amount of the tax levy abatement than the percentage will be for lower EAV districts.

- **Voter Initiated Referendum to Lower Levy***

Allows 10% of voters in districts above 110% of adequacy to petition for a referendum to reduce taxes for educational purposes up to 10%. Petition must be filed at least 6 months before the consolidated election. Referendum is only in odd number years at the consolidated election in April. May not be repeated until after two future consolidated elections (effectively once every 6 years).

- **Tax Credit/Scholarship Program***

Creates a 75% tax credit for individuals who contribute to a qualified not-for-profit organization. Scholarships are for students attending private schools and various bands of poverty impact the amount of award. Scholarship resources are given to the school and the school develops the scholarship program within the guidelines of the law.

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District Transparency Requirements

- **Annual Spending Plan**

- Submitted by the end of September as part of the annual budget process
- Identify how funds will be allocated for
 - Low Income
 - Special Education
 - English Learners

(Note: Funds from the BFM and EBM distribution for these three areas must be expended for these functions)

- How funds will contribute to student growth (ESSA)
- How funds will contribute to ISBE education goals

- **School Report Card**

- The following data will be reported on the school report card
 - Final % of Adequacy
 - Local Capacity Target (%)
 - Real Receipts (%)

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What Has Changed

- Significant increases in funding for some school districts
- Potential for tax DECREASE referendums
- Increased reporting

What Hasn't Changed

- The State's financial challenges. Watch for:
 - Property tax freeze proposals
 - Pension reform including cost shifts
 - Delays in distribution of remaining categorical funds
- Dramatic differences in available resources remain



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Federal Revenues



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Federal Programs

	2022 ISBE Budget (millions)
Vocational Programs	66.0
Free & Reduced Lunch	1,062.5
Special Ed (IDEA)	996.4
NCLB (Title)	1,606.4
ESSER	8,021.1
Others	185.4
Total Federal Through ISBE	11,937.8



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Questions and Answers

We thank you for your time!



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Questions and Answers

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