

DEFICIT REDUCTION PLAN 2010 AND BEYOND

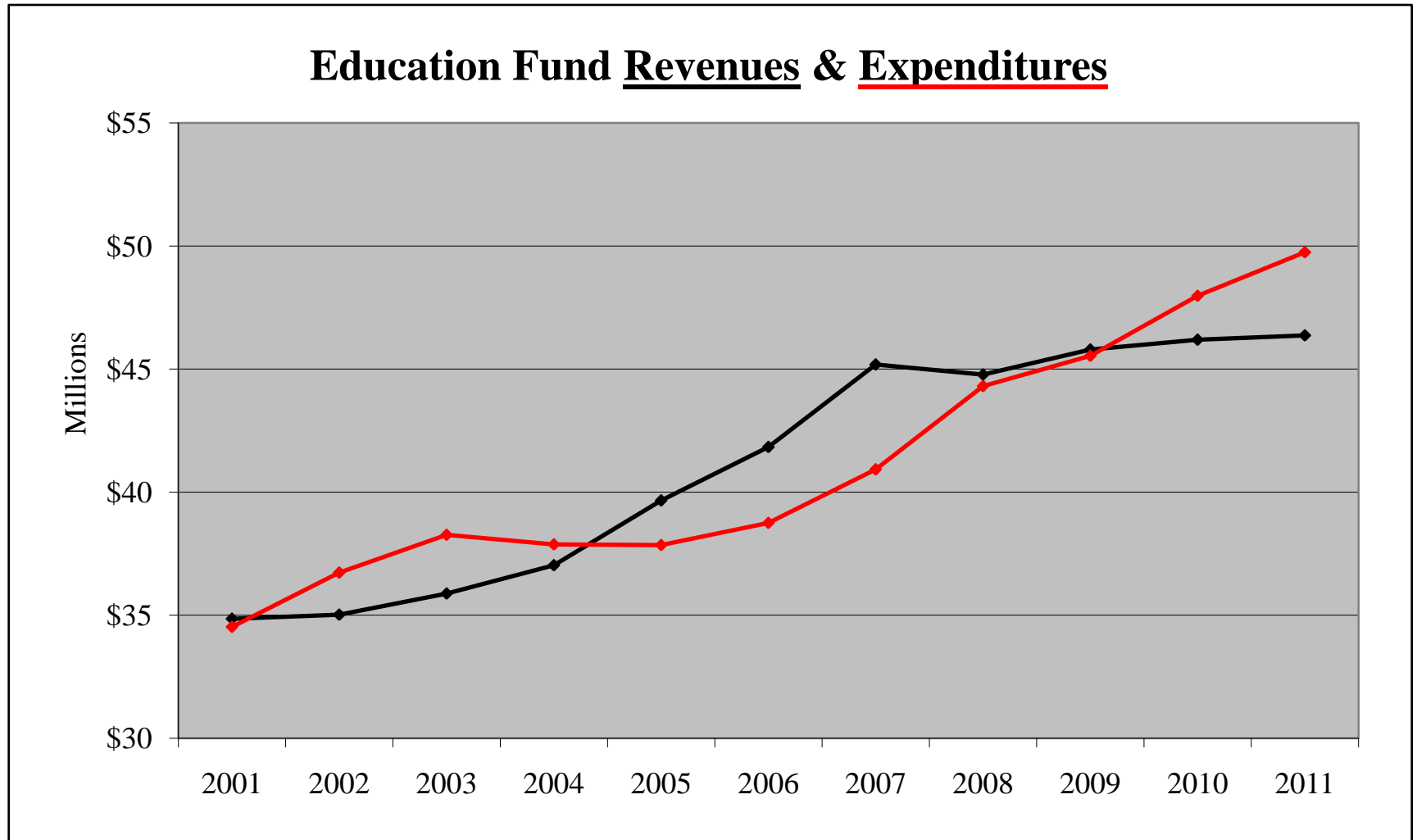
January 2010

Deficit Defined

- ❖ A deficit is when expenditures exceed revenues.
- ❖ We have a deficit in the Education Fund because several revenue sources (EAV, Corporate Personal Property Replacement Taxes, Categorical Grants, General State Aid payments) have been reduced by the national and state recessions.
- ❖ The Education Fund deficit will be \$1.8 million as of June 30, 2010.
- ❖ The deficit is expected to be an additional \$ 3.5 million on June 30, 2011.
- ❖ Beginning now, the district will implement a deficit reduction program that will take effect on July 1, 2010.

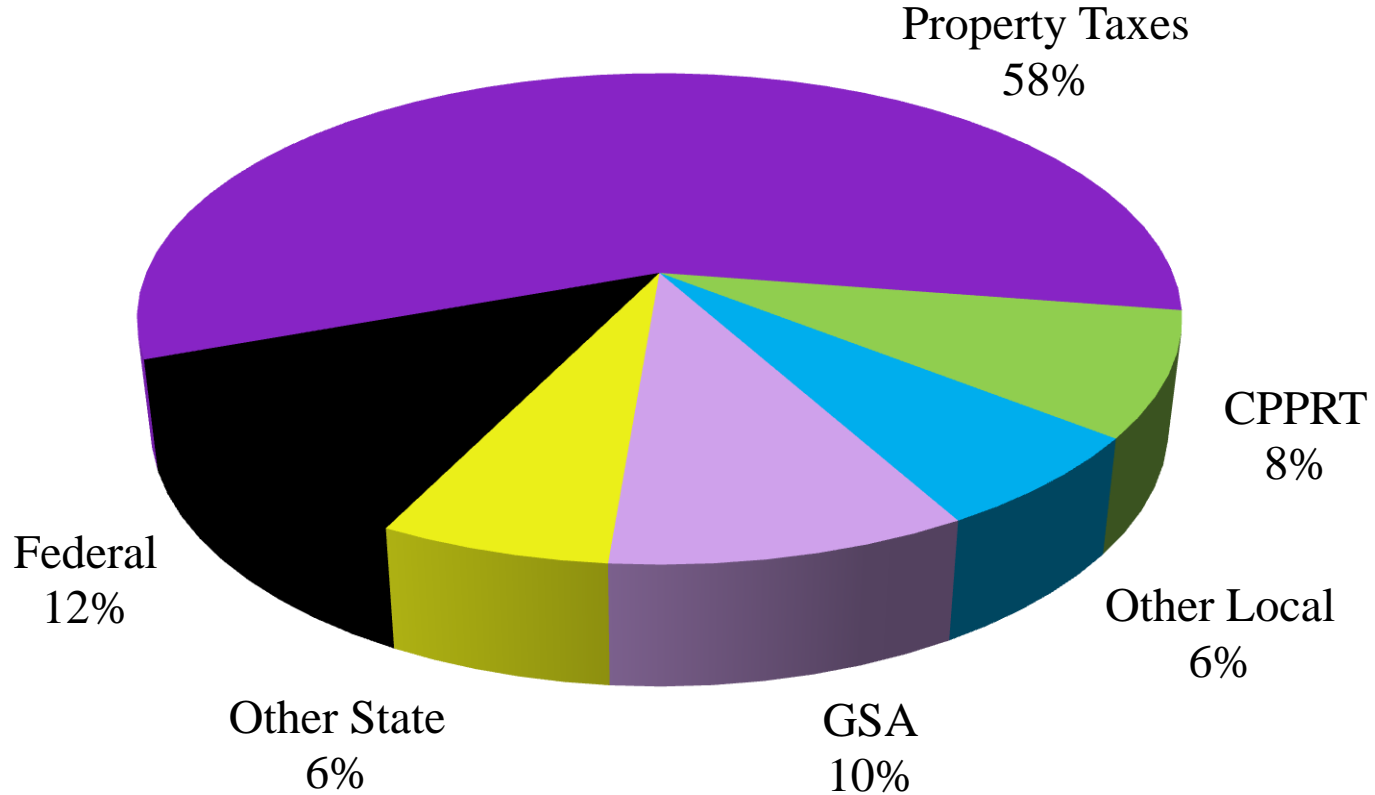
Education Fund Trends

3



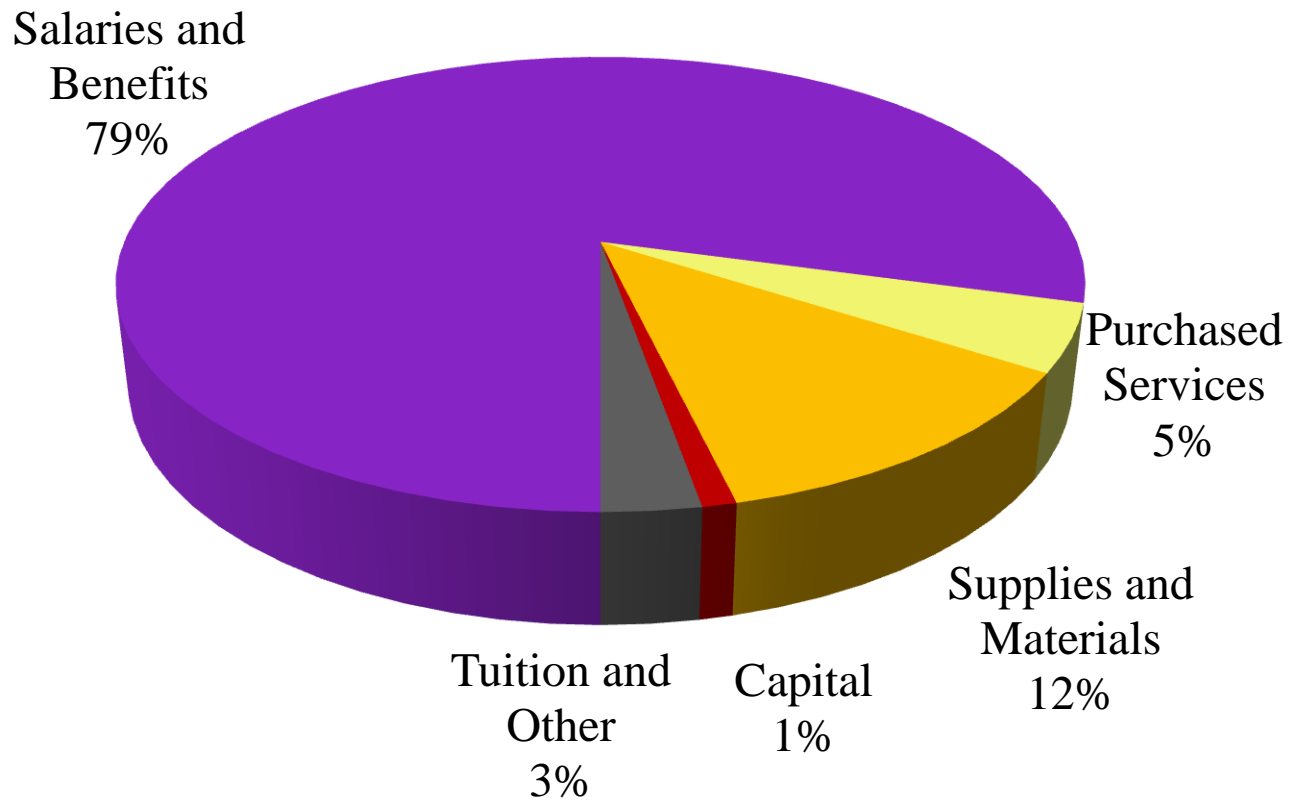
Education Fund Revenues

4



Education Fund Expenditures

5



Education Fund Financial Assumptions

6

	2007	2008	2009	2010
Balanced Budget	Yes	Yes	Yes	No
EAV Growth	3.0%	2.9%	3.6%	1.5%
CPPRT Growth (\$ / %)	\$396,617 / 11%	\$498,472 / 13%	(\$641,846 / 15%)	(\$1,136,071 / 30%)
Interest Growth (\$ / %)	\$442,638 / 51%	(\$100,335 / 8%)	(\$696,174 / 58%)	(\$208,609 / 40%)
Enrollment / Teachers	5,486 / 412	5,437 / 415	5,562 / 414	5,519 / 415
GSA Foundation Level	\$5,334	\$5,734	\$5,959	\$6,119
MCAT Payments	1 (06) / 4 (07)	3 (08)	1 (08) / (2 (09)	2 (09) / 1 (10)
Federal Grant Inc.	\$436,988 / 10%	(\$979,776 / 20%)	\$472,454 / 12%	\$1,071,917 / 24%
Salary Growth	\$1.5 M / 5%	\$1.5 M / 5%	\$1.1 M / 3.5%	\$1.3 M / 3.8%
Benefits Growth	\$411,386 / 11%	\$225,072 / 5%	\$169,376 / 4%	\$49,438 / 1%
Utility Growth	\$104,939 / 6%	\$357,373 / 18%	\$231,257 / 10%	\$144,504 / 6%

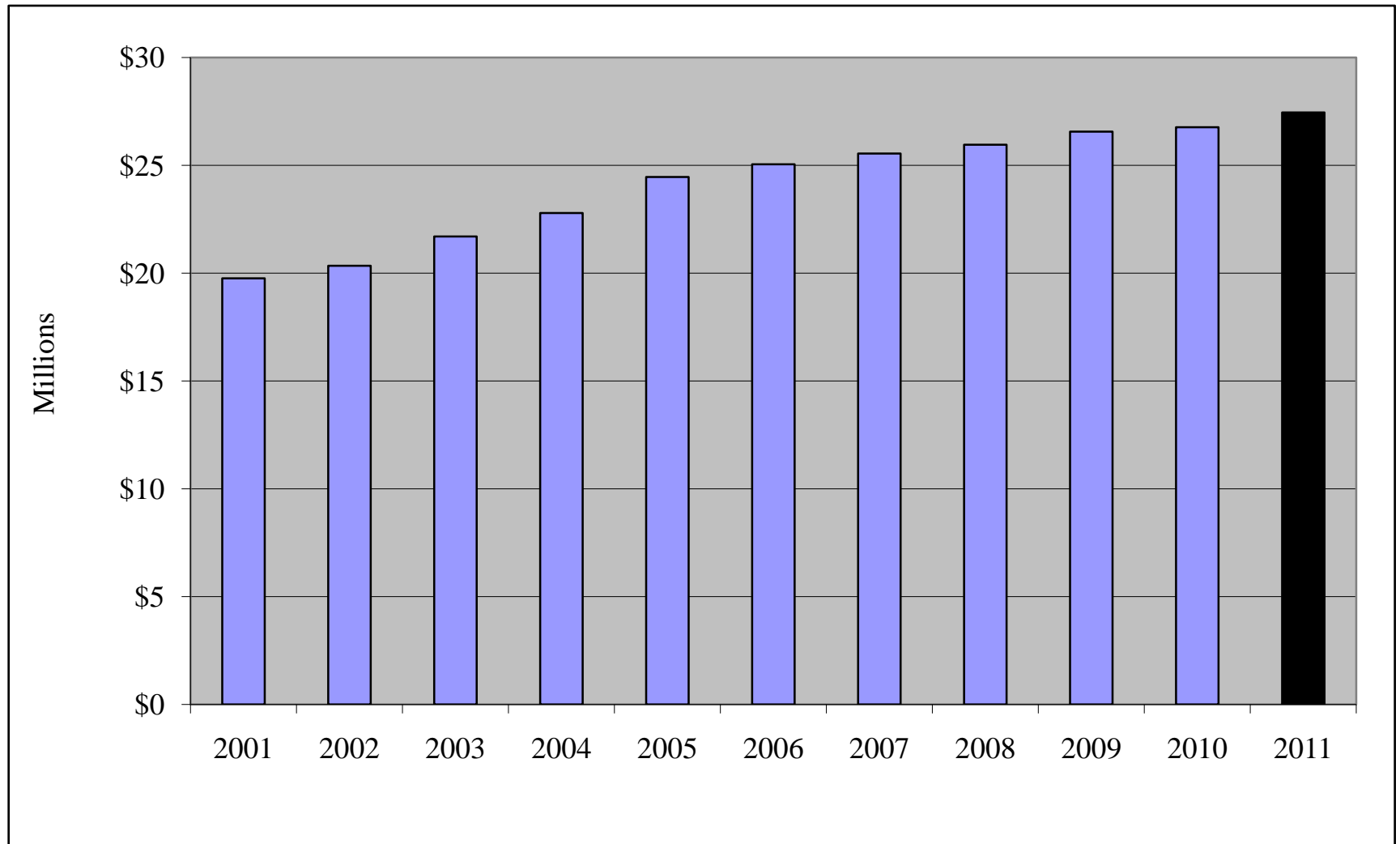
Revenue Sources

7

Revenue Source	Amount
EAV Growth at 1.5% instead of 3% for 2010 and 2011	(\$800,000)
Reduction in Corporate Personal Property tax since 2008	(\$1,900,000)
Reduction in Interest Earnings since 2007	(\$1,000,000)
Delayed State Grant Payments since 2007 (3 payments instead of 4)	(\$1,500,000)
Additional One-Time ARRA Funds in 2010 and 2011	\$2,218,000

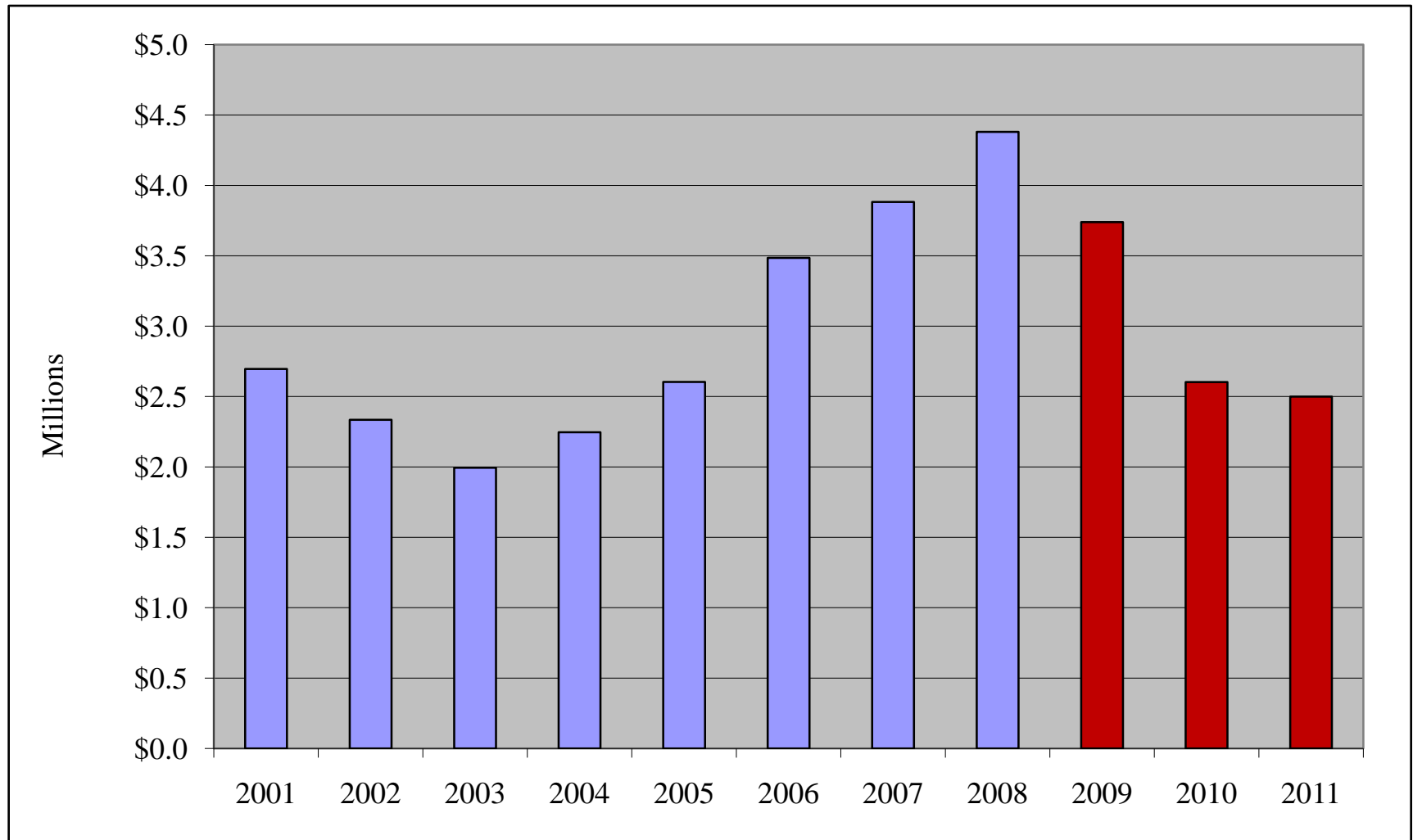
Property Tax

8



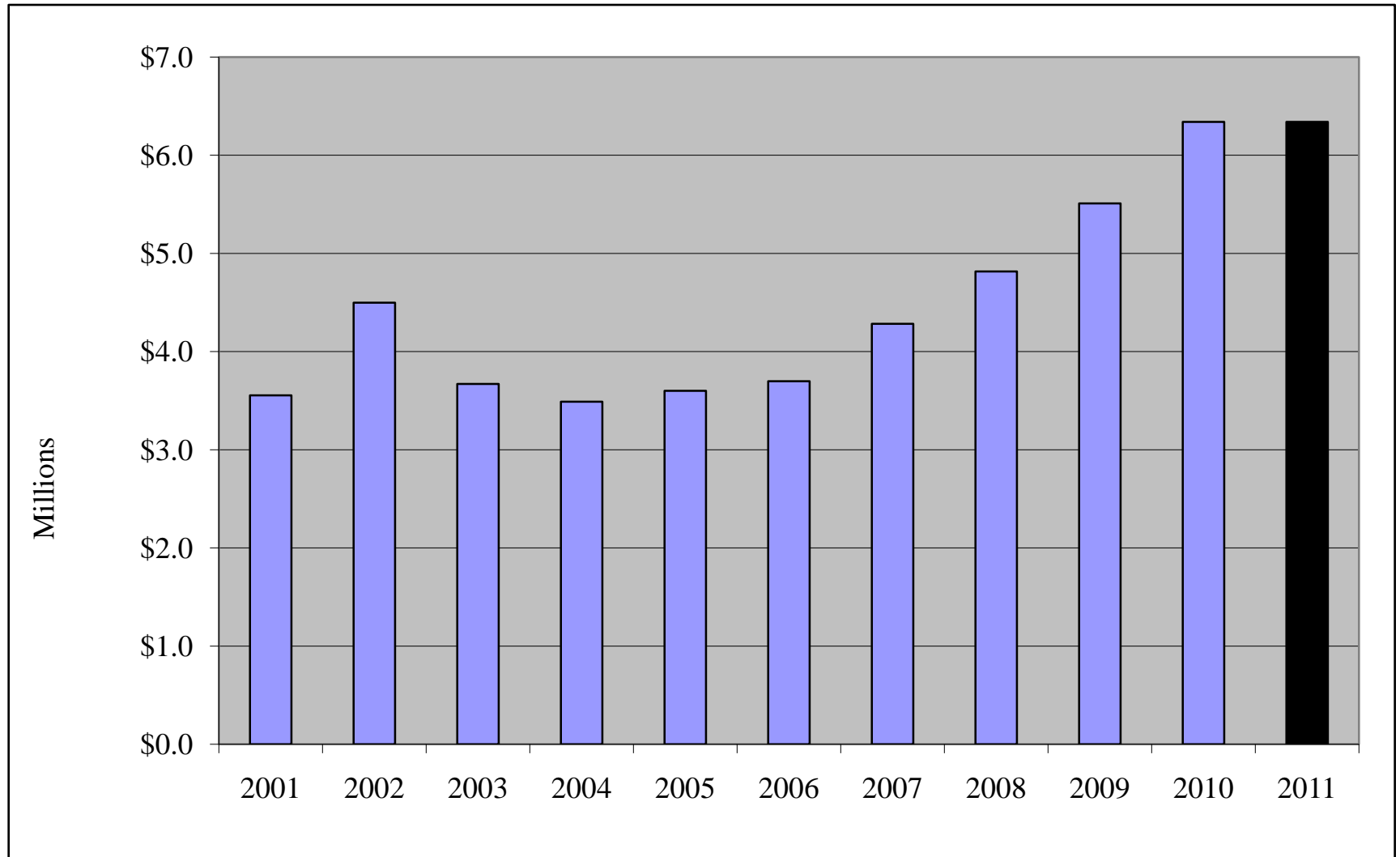
Corporate Personal Property

9



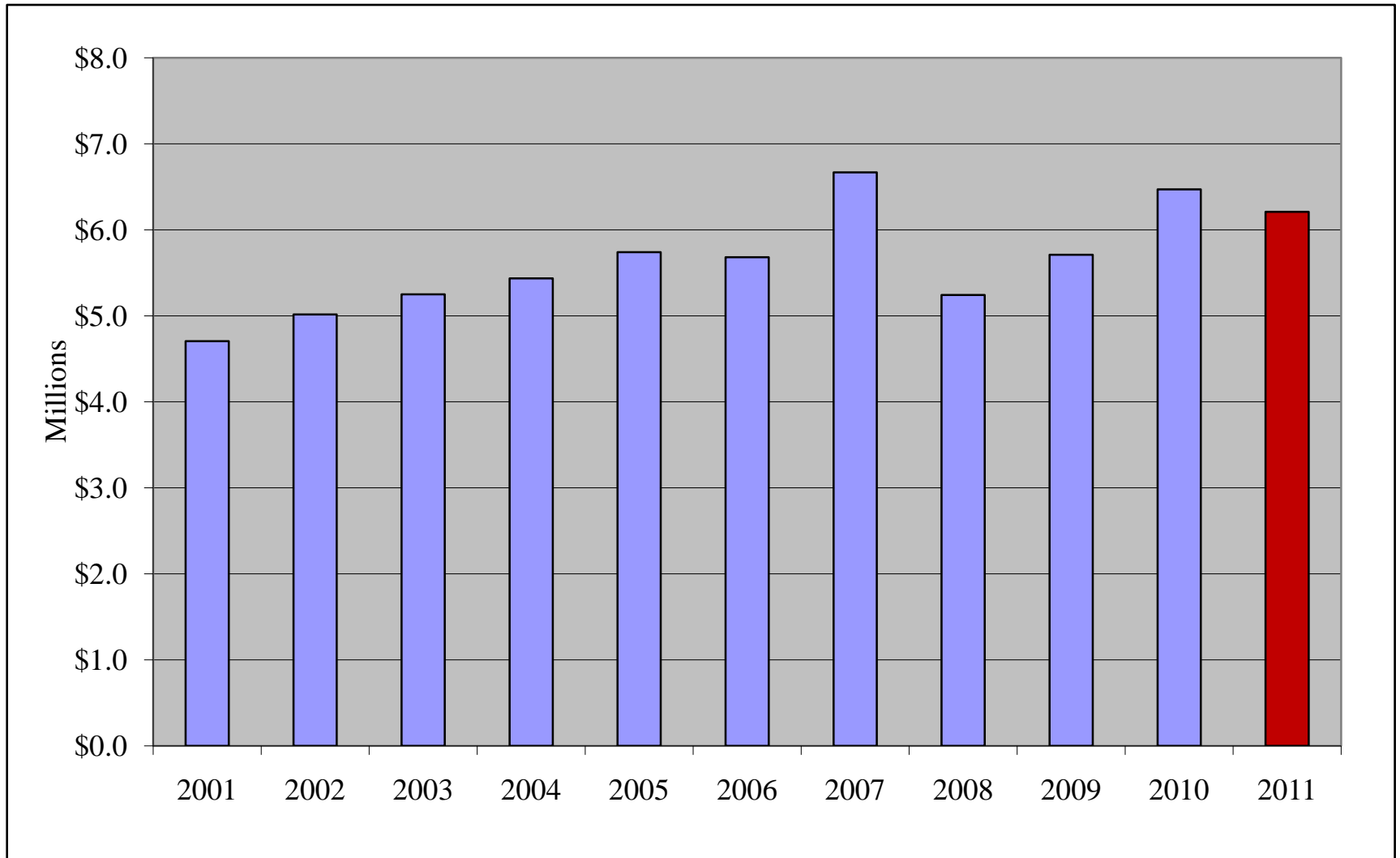
General State Aid

10



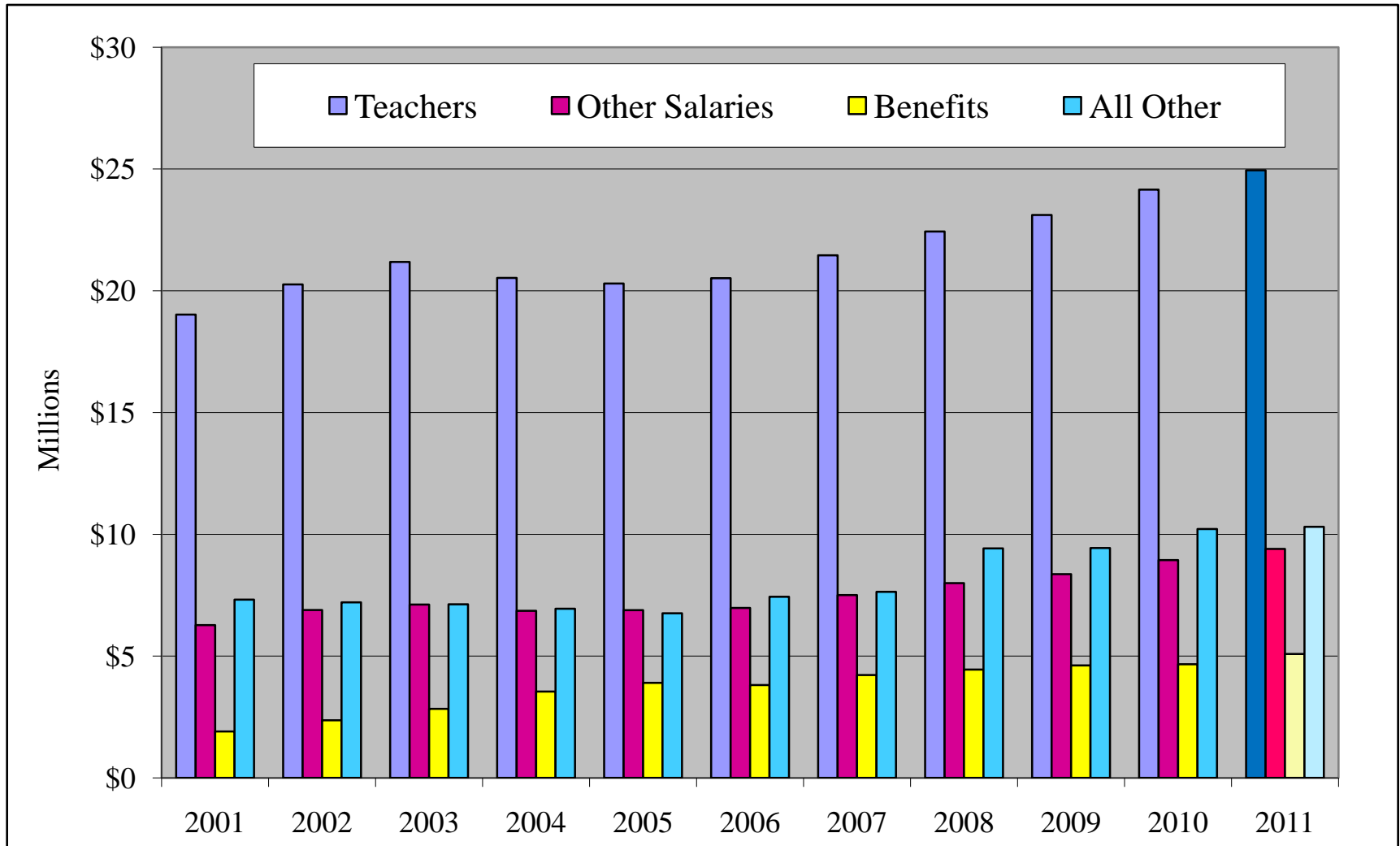
State and Federal Grants

11



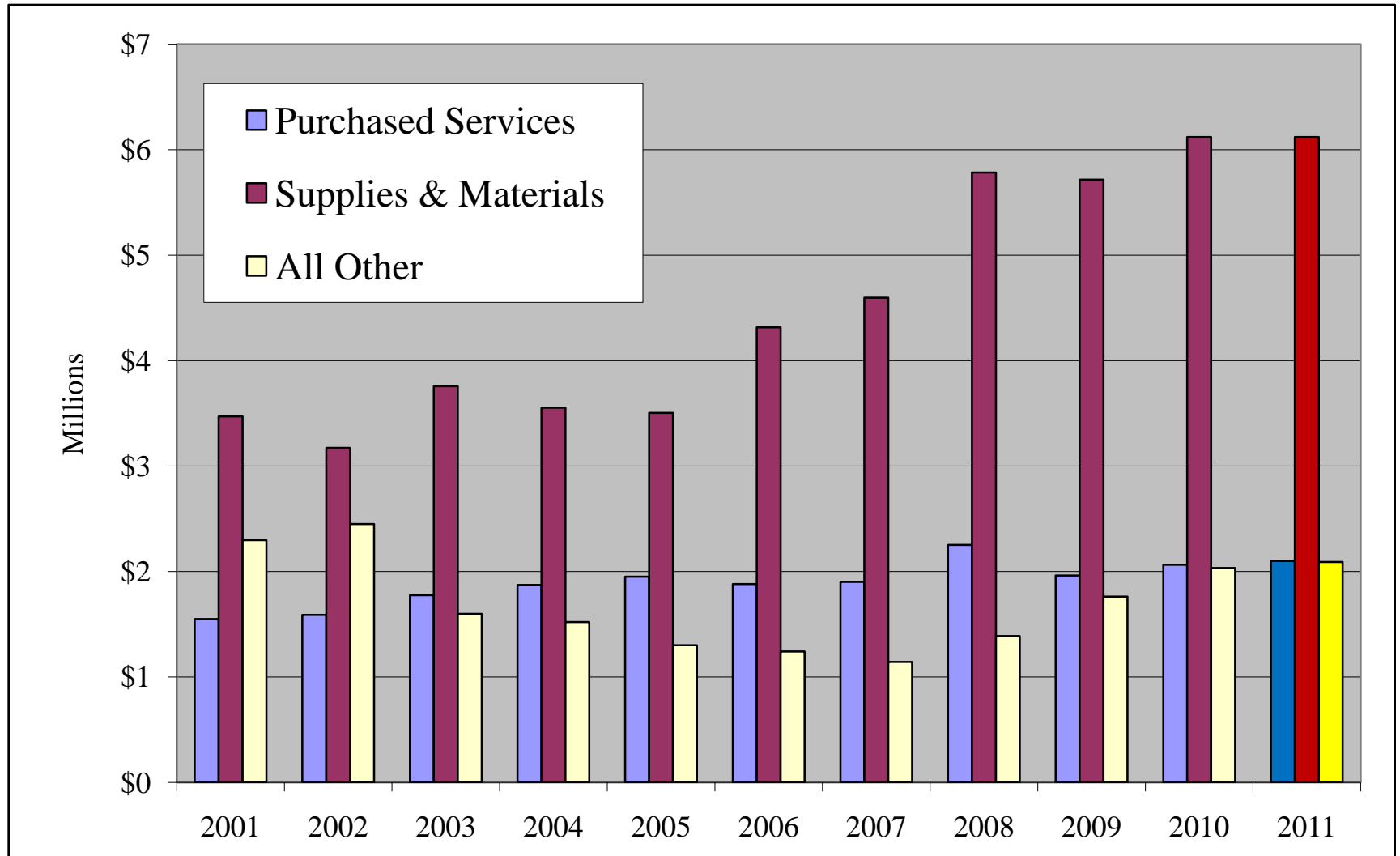
Expenditures

12



Non-Salary Expenditures

13



Causes Of the Deficit

14

- ❖ The largest contributing factor is the recent loss of revenue due to the national recession.
- ❖ Equalized Assessed Value of District 87 down **\$800,000** over two years (1.5% increase versus 3%)
- ❖ Corporate Personal Property Replacement Taxes receipts down **\$1.9 million** over two years
- ❖ Delayed or prorated State Aid payments **\$1.5 million**
- ❖ Interest income from fund balances down nearly **\$1 million**

Addressing A Deficit

15

- ❖ All organizations have two options to address a deficit:
 - Increase revenues
and/or
 - Reduce cost of operations.

Revenue Enhancement Options

16

❖ Increase Revenues

- Property tax referendum (Education Fund).
- Increase property tax levy where we are below the statutory rate cap (Transportation Fund) or where there is no rate cap (Tort Fund).
- Increase student fees.

Expenditure Reduction Options

17

- ❖ Reduce Cost of Operations
 - Equipment
 - Instructional supplies
 - Programs
 - Staff
 - Staff development
 - Supplies and materials
 - Technology

Assumptions

- ❖ Our student population will remain stable over the next several years.
- ❖ Interest rates will remain very low for the next several years.
- ❖ Corporate profits will not significantly recover in the near future (2010 and 2011).
- ❖ Federal ARRA funds will not be renewed beyond next year, 2011.
- ❖ The state will not meet its financial obligations to public schools until the state's deficit is resolved.
- ❖ Expenditure pressures will continue for insurance and utilities.

Guiding Principles For Deficit Reductions

19

- ❖ Maintaining direct instructional services to students will be the highest priority.
- ❖ Reductions in programs are preferable to the elimination of programs.
- ❖ Reductions should be equitable across the entire K-12 program.
- ❖ The safety of our students and staff will not be jeopardized.
- ❖ Grant funds will be used to pay teacher salaries to the greatest extent possible.

Responding to the Deficits

20

- ❖ Multi Year Approach
- ❖ 2010-2011
 - Reduction of 11 FTE's = \$550,000
 - Retirement Savings = \$400,000
 - ARRA Funds = \$350,000
 - Fund Reserves = \$500,000
 - Total = \$1.8 million

Deficit Reduction Plan 2010-11

21

- ❖ Staffing Reductions
 - 5 Elementary FTE's
 - 2 FTE's at BJHS
 - 2 FTE's at BHS
 - 2 Special Education FTE's

Grant Reductions

22

❖ Federal Grants

- Title I
 - 1 FTE's
- Title II
 - 4 FTE's

❖ State Grants

- State Reading Improvement Block Grant
 - 3 FTE's
- Early Childhood
 - 4 FTE's
 - 3 Program Assistants

Time Line 2009-10

- ❖ September 23, 2009
 - 2010 Budget approved by Board of Education
 - Deficit Reduction Plan Adopted
- ❖ October 14, 2009 Board Meeting
 - 2009 Audit presented to the Board
- ❖ October 28, 2009
 - Enrollment Projections for 2010-11
 - 2009 Levy Presentation for 2011 Budget

Time Line 2009-10

24

- ❖ December 9, 2009
 - Approve 2009 Levy for 2011 Budget
- ❖ January 13, 2010
 - Financial Update 2010 Budget
- ❖ January 27, 2010
 - Deficit Reduction Plan for 2010-11 School Year

Time Line 2009-10

25

- ❖ February 10, 2010
 - Further discussion and refinement of Deficit Reduction Plan
- ❖ February 24, 2010
 - Board Action on Deficit Reduction Plan
- ❖ March 10, 2010
 - Reduction in Force

Looking Ahead

- ❖ On July 1, 2010, District 87 will have a structural deficit of \$500,000. This is the amount the district withdrew from its reserves to end the fiscal year with a balanced budget.
- ❖ On June 30, 2011, District 87 will have a projected deficit of \$3,500,000.
- ❖ To address this deficit, the district will initiate another round of program and staffing reductions for the 2011-12 school year.

Time Line 2010-11

27

- ❖ August 2010
 - Preliminary Budget Presented
- ❖ September 2010
 - Budget Adopted
- ❖ October 2010
 - 2010 Levy Presentation for 2012 Budget
 - Enrollment/Staffing Projections
- ❖ December 2010
 - 2010 Levy Adopted for 2012 Budget

Time Line 2010-11

28

- ❖ January 2011
 - Deficit Reduction Plan Presented
- ❖ February 2011
 - Deficit Reduction Plan Adopted
- ❖ March 2011
 - Deficit Reductions Acted On by the Board of Education