



**Bloomington Public Schools
School District 87**

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Dr. Teresa Hill
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Dear Colleague:

As we begin a new calendar year, I want to review Bloomington Public Schools District 87's financial situation with you and our plans to address this situation.

We are facing very difficult economic times. Currently, D87 has positive fund balances in each of our funds. However, we are spending more than we are receiving in revenues during the 2009-2010 school year. We must now begin making plans to reduce expenditures in all areas of operation. Reductions will be made over multiple years. Let me provide you with information about the district's funding sources and the effect of the economic downturn on our finances.

Bloomington Public Schools District 87's Education Fund budget is not balanced. The Education Fund is our largest fund. Approximately 75% of our revenue and expenditures are in our Education Fund. We are spending more money than we are receiving which results in a deficit. Our financial year begins on July 1 each year and ends on June 30. On June 30, 2009, we ended the financial year with a slight increase in our fund balance. This is due to the fact that our revenues exceeded expenditures. Unfortunately, we will have a deficit of approximately \$1.8 million in the Education Fund on June 30, 2010. This amount will increase every year after 2010 if we do not take steps to balance expenditures with revenues.

Public schools in Illinois rely on multiple funding sources, which include:

- Local property taxes based on the assessed value of each property within D87;
- Corporate Personal Property Replacement Taxes;
- General State Aid;
- Categorical grants; and
- Federal revenue which is provided through various federal entitlement programs such as Titles 1, 2, and 3. Federal funding is reserved for specific programs and specific student populations.

District 87 relies primarily on local property taxes and Corporate Personal Property Replacement Taxes for approximately 75% of our revenue. We receive approximately 15% of our funding from the General State Aid Formula and various categorical grants. We receive approximately 10% of our funding through various federal grants.

Our deficit is due to the loss of revenues in all of our revenue streams. The assessed value of all property in D87 increased by 1.5% this year. Traditionally, we experience a 3% to 5% annual

increase in property values. Corporate Personal Property Replacement Taxes are the taxes the State of Illinois collects on all profits from all businesses in the State of Illinois. In good economic times, D87 receives four to five million dollars from this tax. Due to the recession, D87 has lost \$2 million in the past two years.

The State of Illinois now has a deficit estimated to be between \$11 and \$14 billion, depending on which report one reads. According to one report, California is the only state in the nation in worse financial shape than Illinois. This deficit has resulted in the state delaying payments or in some cases not meeting its financial obligations at all. The State of Illinois now owes D87 \$2.2 million. These funds are in the Education Fund and the Transportation Fund. Unless the State of Illinois finds additional revenues to offset its multi-billion dollar deficit, I do not believe the State of Illinois will be able to pay any school district in Illinois what they are owed.

I realize that this is a great deal of technical information. However, you will be asked by parents, neighbors and friends about this issue. It is important that we share accurate information with our educational community. In the coming weeks, I will be sharing information about our plans to address our financial situation. In the meantime, if you have questions about this issue, please do not hesitate to call, or send an e-mail to me. I will provide the information you need to explain this situation to others.

Sincerely,

Robert S. Nielsen