A Message from Dr. Lynda C. Andre, Superintendent

School Finance 101: Property Tax Revenues

Background: District 7’s total FY2016 revenue budget of approximately $72 million has three main sources that support the educational programs and services of the District.

- Nearly 80% of funding comes from local sources - property tax revenues
- Approximately 17% comes from the State of Illinois through General State Aid, Transportation and Special Education Reimbursements and Early Childhood Grant
- The remaining 5% comes from federal sources

Last week, I explained funding from the State of Illinois. This week, I’ll focus on District 7’s funding from local property tax revenue, its decline since 2008, and the overall impact on the District’s budget.

The major source of school funding in District 7 is property tax revenue.
As a result of low poverty percentages and a lack of industries and factories, school districts that serve “bedroom” communities like Edwardsville and Glen Carbon must rely on the value of the property within its borders to fund its schools, including residential, commercial, and farm land. Currently, property tax revenue makes up nearly 80% of District 7’s revenues.

This heavy reliance on property taxes places an enormous burden on homeowners, as the vast majority of that revenue comes from homeowners/residential property owners and only 16% from business and commercial enterprises.

**Equalized Assessed Valuation (EAV):** The wealth of a school district is calculated on the value of all property (residential, commercial, and farm land), and that calculation is termed Equalized Assessed Valuation or EAV. Over a nineteen-year period from 1990 to 2008, the value of all property in District 7 grew at an annual average rate of over 8%.

![District 7’s EAV Growth History](image)

The District EAV experienced its height of growth from 2001 to 2007, growing at an annual average rate of nearly 11%. During this period of unprecedented growth, District 7 collected additional property tax revenue of $1.2 to $2.6 million annually to support the Education Fund.

EAV began a steep decline in 2008, dropping approximately 7%. From 2009-2012, the District experienced negative growth in EAV, resulting in a loss of revenue. EAV is back in positive territory, but nowhere near the levels seen from 2001-2007.
Since 2008, the Board of Education has taken the following actions to mitigate the impact of declining revenues, including:

- Reducing operating expenditures by over $12 million
- Utilizing cash reserves
- Refinancing a portion of the District’s outstanding debt
- Approving the issuance of $9 million in Working Cash bonds in December 2013

The Board will further reduce its budget for the 2016-2017 school year later this spring. But even with those reductions, the District will still be facing a significant deficit that will require an increase in the Education Fund tax rate to close the gap.

Next week, I will review Federal Funding, the smallest portion of District 7 revenues, as it compares to surrounding school districts.