School Finance 101: A Summary of Revenue

**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
As the state began experiencing financial difficulties, state funding to local school districts like District 7 began a steep decline in 2008. Since 2008, annual state funding to District 7 has declined from $16.7 million to $9.5 million.

As a result of this decline in state funding, the District:

- Received $7.2 million less in 2015 than in 2008
- Suffered a total loss of $39.5 million in state funding since 2008

**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%.
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.

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.

**Federal Funding:** District 7 receives approximately 5% of its funding from the federal government in two categories: Special Education and funding sources driven by the District’s poverty level.

<table>
<thead>
<tr>
<th>School District</th>
<th>Annual Federal Funding</th>
<th>Poverty</th>
<th>Total Student Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granite City</td>
<td>$8,433,460</td>
<td>72%</td>
<td>6329</td>
</tr>
<tr>
<td>Collinsville</td>
<td>$4,768,267</td>
<td>62%</td>
<td>6603</td>
</tr>
<tr>
<td>Alton</td>
<td>$5,834,432</td>
<td>69%</td>
<td>6349</td>
</tr>
<tr>
<td>Edwardsville</td>
<td>$2,228,077</td>
<td>21%</td>
<td>7611</td>
</tr>
</tbody>
</table>

Even though these local districts have 1000-1300 fewer students, they receive between $2.5 and $6.2 million more in federal funds than District 7.

While District 7’s federal funding is restricted to specialized services, the funding received addresses only a fraction of the actual costs.

**Steps Board of Education Has Taken 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.