

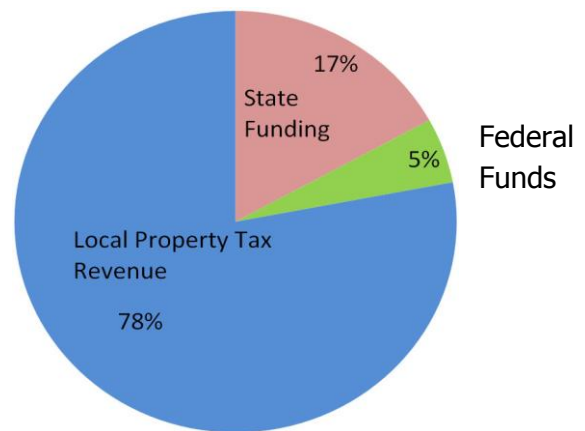
Addressing District 7's Long-Term Financial Stability

Historical Perspective:

As has been the case for the past nine years, the District continues to face significant budget challenges due to the following:

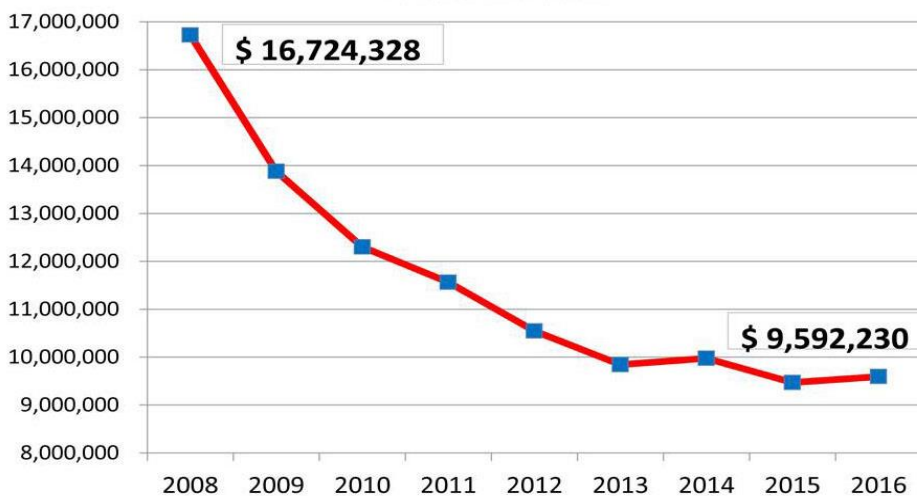
- Declining revenue from the State
- Stagnation of property tax revenues – Equalized Assessed Valuation (EAV)
- Increases in District operational costs; including maintaining personnel needed for class size

Ninety-five percent (95%) of the District's total revenue sources (Property tax revenues and State funding) have been level or in decline since 2009.



District 7's Annual State Funding

FY 2008 to FY 2016

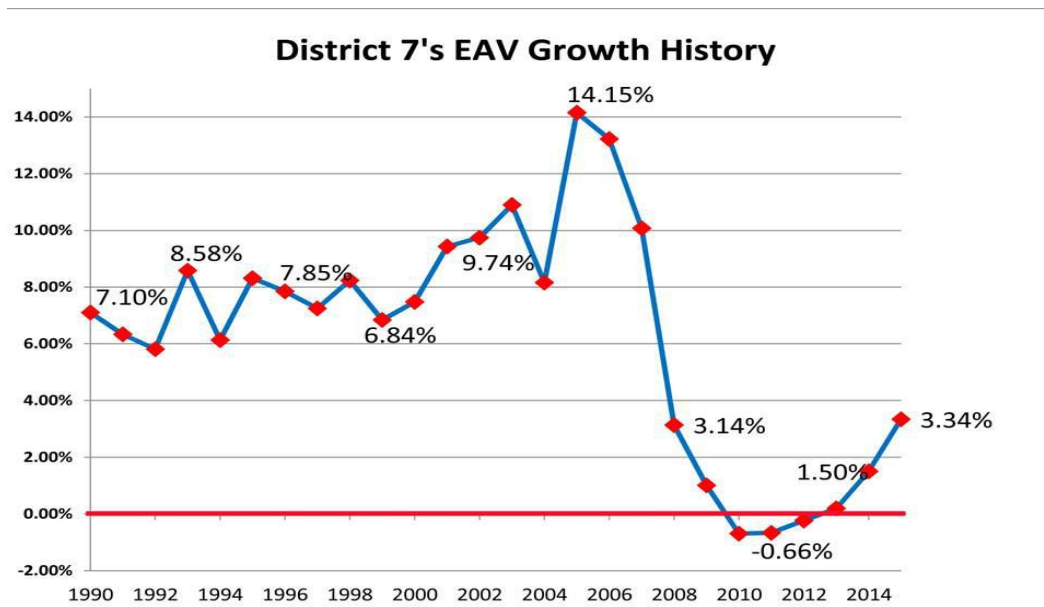


Annual Loss FY 2017 vs FY 2008
Total Cumulative Loss since FY 2008

\$7 million
\$53.6 million

District 7's Equalized Assessed Valuation (EAV)/Property Tax Revenue

In the years of significant EAV growth prior to 2008, the District was able to absorb increased operational costs associated with increasing enrollment and construction of new schools. Since 2009, the District's EAV growth rate has stagnated near zero, resulting in property tax revenues collected for the Education Fund remaining essentially unchanged.



What has the Board of Education done since 2008 to address the massive decline in state and local funding?

- Reduced over \$14 million in operating expenditures – **reduced 101 positions**
- Began depletion of \$9 million in existing cash reserves in 2009; reserves were fully depleted in 2013
- Refinanced a portion of the District's outstanding debt
- Froze salaries of all employees
- Approved new issuance of \$9 million in Working Cash bonds in December 2013 as a temporary measure; those funds were depleted as projected on June 30, 2016

Financial Crisis' Impact on District 7

1. The District has been:

- **Unable** to maintain reasonable class sizes
- **Unable** to replace all textbooks in core academic areas
- **Unable** to maintain the curriculum development cycle
- **Unable** to install building-wide WIFI access at high school and middle schools
- **Unable** to maintain technology replacement cycle
- **Unable** to update school security systems
- **Unable** to maintain necessary cash reserves

2. The District has experienced operating budget deficits since 2009. At the same time, the District's enrollment has remained stable at approximately 7,500 students, impacting the District's ability to provide the level of educational programs and services that have been the hallmark of District 7.
3. The District has been on the State's Financial Watch List since 2009 and remains on the Watch List today. As a result of this designation, the District has been subject to financial monitoring by the Illinois State Board of Education (initiated during the 2015-2016 school year as a result of the 2014-2015 year-end audit).

As a next step, District 7 could receive a **Certification of Financial Difficulty** designation this year as a result of ending both 2014-2015 and 2015-2016 school years with negative operating fund balances. Once "**certified**", District 7 may be subject to financial oversight by the State of Illinois by June 2019 – a solution that no one finds acceptable on any level.

Current Financial Outlook

When it became apparent that the District could no longer wait for the State of Illinois to fulfill its obligation to fund public schools, the Board of Education passed a resolution to place on the November 2016 ballot (Proposition E) a referendum to increase the District's Education Fund tax rate by \$0.55. Proposition E failed by a 1,076 vote margin – 14,517 to 13,441.

Since then, the District's financial outlook has only worsened.

The District is estimating that its negative operating fund balance in the Education Fund will increase to approximately \$6.7 million at the end of the 2016-17 school year, assuming the state eventually pays all outstanding and mandated categorical and grant payments due through June 30, 2017. The state's ability to pay both outstanding and mandated categorical and grant payments (transportation, special education, and early childhood) for this school year is increasingly in doubt.

The state owes the District approximately \$2.6 million for both the 2015-16 and 2016-17 school years and has yet to pay any mandated categorical (Special Education and Transportation) and has paid only three of eight Early Childhood payments due for this school year. The Illinois State Board of Education has indicated to school districts that due to the current backlog of state bills totaling approximately \$12 billion, the District should only expect two of the four mandated quarterly categorical payments this year.

As a result of continued failure of the State of Illinois to meet its financial obligations to District 7, the District anticipates having to increase its expected borrowing (using Tax Anticipation Warrants) from \$2 million to more than \$5 million as early as April 2017 to pay bills and salaries for the remainder of the 2016-17 school year.

Proposition E – Education Fund Tax Rate Increase

With the District still facing a \$3 to \$3.5 million budget deficit for the 2017-2018 school year, the Board of Education **must** make progress toward a balanced budget by June 2019 as required by the Illinois State Board of Education while still providing a quality education for District 7 students.

For these reasons, the Board of Education again passed a resolution on January 9, 2017, to place a referendum to increase the District’s Education Fund tax rate by \$0.55 on the April 4, 2017, ballot.

The total cost of ensuring long-term financial stability and academic excellence is:

\$6.9 million annually
OR
an increase of \$0.55 per \$100
of assessed valuation

Current District 7 School Tax Rate: **\$4.22**

Estimated Tax Rate with Proposed \$0.55 Increase: **\$4.77**

Local School Year Tax Rates

SCHOOL DISTRICT	TOTAL SCHOOL TAX RATE
Belleville District 118 and Belleville District 201	\$5.7962
O’Fallon District 90 and O’Fallon District 203	\$5.3776
Triad CUSD #2	\$5.3221
Bethalto CUSD #8	\$5.0326
Granite City CUSD #9	\$5.0170
Highland CUSD #5	\$4.9043
Alton CUSD #11	\$4.8627
Collinsville CUSD #10	\$4.5833
Edwardsville CUSD #7	\$4.2167

If the referendum passes, the new District 7 tax rate will be **\$4.7667**, moving it ahead of only Collinsville

Taxpayer Impact

Fair Market Value	Assessed (taxable) Value	Monthly Cost
\$150,000	\$ 50,000	\$20.17
\$200,000	\$ 66,666	\$27.83
\$250,000	\$ 83,333	\$35.42
\$300,000	\$ 100,000	\$43.08

The average fair market value of a home throughout the entire District 7 community is \$170,000.
 The Assessed (taxable) Valuation is 1/3 of Fair Market Value.

The funds generated from the Proposition E would be used to:

- **Address academic, technology, and school security needs**, including:
 - ✓ Maintain current academic and extracurricular programming
 - ✓ Replace textbooks in core academic areas
 - ✓ Return to reasonable class sizes
 - ✓ Restore the curriculum review cycle
 - ✓ Install building-wide WIFI access at high school and middle schools
 - ✓ Restore the technology replacement cycle
 - ✓ Update school security systems

- **Ensure that the Education Fund is balanced** by June 2019, as required by the Illinois State Board of Education

- **Eliminate the expected Education Fund operating debt** of \$6.7 million and begin the process of building cash reserves

- **Address annual increases in operational expenditures**

Budgetary Actions To Be Taken by the Board of Education

Non-referendum-dependent budgetary reductions for the 2017-18 school year will be approved by the Board in March, including the reduction of administration and the release of certified and non-certified staffing positions and other operational expenditures. The process of releasing certified and non-certified staffing positions takes place every spring pending 2017-18 student enrollment and final determination of staffing required to support students.

These reductions are not included with the ‘Referendum Budget Reductions’ because these reductions will occur whether the Districts’ voters support or do not support Proposition E.

District 7 Proposed Referendum Budget Reductions for the 2017-18 School Year

The list of items below is a proposed list of programs and services that will be considered for reduction and/or elimination in 2017-18 if the April 4th referendum is not passed. If the referendum passes, these programs and services will be maintained.

Athletics and Extracurricular Activities - \$379,000

- Eliminate freshmen sports at Edwardsville High School
- Eliminate all middle school sports at Lincoln and Liberty
- Reduce extracurricular clubs at Liberty and Lincoln Middle Schools by 50%
- Reduce extracurricular clubs at Edwardsville High School by 50%
- Eliminate elementary Math Club at Woodland, Cassens, Worden, and Columbus Elementary Schools

Performing Arts - \$260,000

- Eliminate 4th and 5th grade band
- Eliminate 4th and 5th grade orchestra
- Reduce EHS drama performances to one per year
- Reduce Lincoln and Liberty drama performances to one per year per school

Academics - \$205,000

- Reduce course offerings at Edwardsville High School
- Eliminate EHS summer school
- Eliminate EHS Writing Center
- Eliminate middle school and high school after school tutoring
- Eliminate elementary Challenge Program

Other Services - \$120,000

- Eliminate EHS Early Bird bus service
- Eliminate K-12 field trips
- Eliminate middle school and high school after school activity bus service

Continued Impact of a Failed Referendum

- **No** updated textbooks
- **No** new student computers
- **No** building-wide WIFI access at Edwardsville High School, Lincoln or Liberty Middle Schools
- **No** updated school security cameras

For further background, please see the [Proposition E Facts](#) and the [Focus on Finance](#) sections of the District 7 website and all District 7 schools' websites.



http://www.ecusd7.org/about_us/focus-on-finance.asp

http://www.ecusd7.org/about_us/propEfacts.asp