

**Diesel Fuel Purchasing** – On Wednesday, January 20, 2016, we sought price quotes for 7,000 gallons of winter blend diesel fuel from the two vendors that comply with our every other day delivery for the District’s bussing operation. This order should get us through the bulk if not all of the winter season. Ag View FS won the bid with a \$1.08/gallon bid, which with the applicable taxes extends out to \$1.327/gallon and a total cost of \$9,289.00. Since that is the lowest price we have paid for fuel in the 15 years that I have been involved and since the projections I looked at had prices increasing going forward we decided it may be wise to lock in the remainder of the fuel for the rest of the school year. On Monday, January 25, 2016, we sought quotes for 14,000 gallons of #2 bio-diesel fuel from the same two vendors that should get us through the remainder of the school year. North Oil won this bid with a \$1.24/gallon bid, which with the applicable taxes extends out to \$1.467/gallon and a total cost of \$20,538.00. Both purchases and the backup documents are included as part of the consent agenda for the February Board of Education Meeting.

**Transportation Contract** – I had reported a few months ago that we were in the final year a three year contract with Illinois Central School Bus providing transportation for the District’s students. Although we had the ability to negotiate a renewal up to two years beyond the 2015-16 school year we had not been able to come to an agreement that worked for both parties. That being the case I thought that it might be time to let the market determine the cost rather than negotiate in the blind and with only one vendor. The bid specifications are for a new three year contract which will provide transportation for 2016-17, 2017-18 and 2018-19 and, will most likely, require that the successful bidder lease the garage and bus storage area from the District at our District Office location at 1335 Franklin Grove Road. The Notice to Bidders appeared in the Dixon Telegraph on Monday, February 1, 2016, and currently four vendors have the bid specifications. The bid opening was moved up one month from the last report and will be at 2:00 PM on Friday, March 4, 2016. Unless there are complications we hope to have a recommendation ready for the Board at the March 16, 2016 meeting.

**State of Illinois- School Funding** – The following press release was generated by Speaker Michael Madigan announced the formation of an education funding task force on February 4, 2016:

House Speaker Michael J. Madigan, D-Chicago, issued the following statement Thursday announcing hearings to be held by the bipartisan Education Funding Task Force throughout the spring to help craft a legislative plan to equitably fund education throughout Illinois:

“Senate President Cullerton has shown strong leadership on the issue of fair and equitable education funding, which is so important to every community across our state. The President’s commitment to fairly funding our schools and helping all students meet their full potential is one that I share, and I plan to work with him to achieve this goal while making sure that voices from across our state are heard and that all schools and programs are protected throughout this process.

“Beginning February 16 and continuing throughout the spring, House Majority Leader Barbara Flynn Currie will lead hearings of the bipartisan Education Funding Task Force. The House Democratic members of the task force, who represent Chicago, suburban areas and downstate, bring

to the discussion the views and concerns of residents from all across Illinois to help ensure a comprehensive approach to any changes in how our schools are funded. The task force will hear input from educators and advocates from throughout the state, and will work with all interested parties to craft legislation aimed at ensuring all students in Illinois receive the excellent education they deserve.”

The Education Funding Task Force will convene Tuesday, Feb. 16 at 10:30 a.m. in Room 114 of the State Capitol.

**County School Facility Tax – 1% Sales Tax** – The article below was published in the Illinois School Board Journal in the July/August 2008 issue and, although somewhat dated, it does an excellent job explaining how the sales tax supplements funding:

***Taking New Initiatives with County Sales Tax***  
*by William H. Phillips and Deanna Sullivan*

*William H. Phillips is an associate professor of educational administration at the University of Illinois-Springfield. Deanna Sullivan is director, governmental relations, with IASB.*

*British statistician and professor Sir Claus Moser once said: "Education costs money, but then so does ignorance." The unfortunate reality for many school districts in Illinois is that there just is not enough money.*

*Local money generated through property tax is not able to meet the increasing demand for either facility improvements or new buildings in many school districts. To help remedy the problem, and over the governor's veto, the County Schools Facility Occupation Tax Law took effect October 17, 2007.*

*Rock Island area Representative Patrick Verschoore first introduced the idea in January 2007. He and Senator Mike Jacobs then worked to successfully pass SB 835 on to the governor in May 2007.*

*The legislation was then vetoed by Governor Rod Blagojevich in August 2007. In his veto message, the governor said, "Such projects should be funded through a statewide capital plan, not a sales tax increase." The House and Senate disagreed with him, overriding his veto, and the County Schools Facility Occupation Tax Law took effect last October.*

*This new law provides an excellent opportunity for school districts to generate money through sales taxes rather than property taxes. This tax money is available to all school districts having territory within the county where the tax is implemented, providing revenue that is dispersed equitably based on enrolled students residing in the county.*

*The sales tax increase is limited to a maximum of 1 percent, or a penny on each dollar, and can be raised in increments of a quarter-percent. General merchandise is taxable (excluding vehicles, watercraft, aircraft, trailers, mobile homes and medical supplies), but the county sales tax will not be collected on food and drugs. Agricultural sales, such as farm equipment, feed, seed, fertilizer, chemicals and livestock reproduction, also are not subject to the tax.*

*Under the Act, money generated through the county sales tax can only be used for "school facility purposes," defined as "acquisition, development, construction, reconstruction, rehabilitation, improvement, financing, architectural planning, and installation of capital facilities consisting of*

*buildings, structures and durable equipment." It can also be used for the "acquisition and improvement of real property; Interest in real property required, or expected to be required, in connection with the capital facilities." Usage does also extend to updating systems for fire prevention, safety, security, energy conservation and disabled access.*

*The tax is collected by the Department of Revenue and placed into the School Facility Occupation Tax Fund. Each month, the Department of Revenue dictates the specified amount to the state comptroller. This amount is then distributed to the regional superintendent of schools in the county where the tax was collected.*

*The amount distributed to each local school is based on the fall housing report enrollment data. Thirty days after receiving the funds, the ROE issues the money to any school district having territory in the county where students attending that school live in the county adopting the sales tax. Schools receiving these funds are required to keep them in a specific, separate account designated for school facility purposes.*

### ***Who benefits?***

*Both the school district and the community can reap benefits by implementing a county wide sales tax. While the district benefits from access to additional funds, the community benefits as money generated through the county sales tax can potentially replace some of the dependence on local real estate taxes.*

*The county sales tax also allows all school districts to benefit directly from tax generated based on their student enrollment, not just on the local business base. This new revenue source for school facilities is also significant because the tax is not based on property wealth and state foundation level funding sources but rather whether the student attends a school where the county sales tax has been adopted.*

*Because each district's percentage of the tax is adjusted annually, if enrollment increases, the school district will be eligible for more money from the pool generated.*

*While the county sales tax has its positives, it also has a few negatives. The first is that this is a tax and will result in a slight cost increase in merchandise for consumers. The other negative is that it is regarded as a "regressive tax," one that affects lower income population more than upper income brackets.*

*But the County Schools Facility Occupation Tax Law does provide significant revenue potential for school districts. This law is beneficial because it spreads the income generated to all the school districts in the county, even when the majority of the sales revenue may only be accrued in one part of the county.*

*By encouraging voters to support a local sales tax increase, the school district could gain tremendous revenue without making the voters in their district incur a property tax increase.*

### ***How it works***

*Under the County Schools Facility Occupation Tax Law, either the county board unilaterally, or school boards representing 51 percent of the county student enrollment that would like to*

*implement the law, must submit a ballot question to the voters to be approved or rejected. The question must be placed on the ballot by the county board either way.*

*A sample question that could be put to the voters in St. Clair County would read: "Should St. Clair County be authorized to impose a retailers' occupation tax and a service occupation tax (commonly referred to as a 'sales tax') at a rate of 1 percent to be used exclusively for school facility purposes?"*

*The question needs only a simple majority of votes countywide to be put into law. After the vote is cast, the county board still has the final say in determining whether the tax will be applied or not.*

*For the next election cycle, a proposed question regarding the sales tax increase must be presented for balloting no later than **August 22, 2016, (Last day for local governing boards to adopt a resolution or ordinance to allow binding or advisory public questions to appear on the ballot)** to be on the ballot for the **November 8, 2016** election. If the question is approved, the tax will be filed with the Department of Revenue before **April 1, 2017**. Taxes will then be placed on merchandise in **July 2017. (Dates revised from original article to match this year's election cycle.)***

*Once a sales tax question is passed in the county and the schools learn how much revenue it will generate, the district can sell alternate revenue bonds or "double-barreled" bonds. These bonds combine the benefits of revenue bonds with general obligation bonds.*

*The following from Stas Bekman, a Canadian consultant and author on [www.stason.org](http://www.stason.org), explains revenue and general obligation bonds:*

*"Revenue Bonds are bonds that are payable from a pledge of the proceeds against a specific tax. Unlike General Obligation bonds and their unlimited ability to raise taxes, with these bonds, the issuer is limited as to its source for the revenue to pay the bonds. These bonds are quite safe.*

*"General Obligation Bonds are backed by the full faith and credit of the issuer for prompt payment of principal and interest. Many bonds issued by a city, county, or school district, also have the added security that they can raise property taxes to assure payment. This guarantee is of an unlimited nature. The issuer can raise taxes as high as they want to pay the bonds. If the property tax is not paid, the property can be sold at auction giving the bond holder a superior claim above mortgages, mechanical liens, and other encumbrances.*

*"General Obligation bonds are usually analyzed in terms of the size of the taxable resources. These bonds are regarded as very safe."*

*Combining these two types of bonds is often referred to as "double-barreled bonds." These bonds are considered safe as they have two pledged sources of security: revenue from the project and the taxing power of the issuer.*

*Alternate revenue bonds do not count against the district's bonded debt limit or the Debt Service Extension Base if they are a PTELL district. Because of this, the school is permitted to sell bonds up to the amount that the revenue from the sales tax can support.*

*The sales tax can be applied as long as there is outstanding bonded debt and can not be eliminated as long as that debt exists. As long as debt remains on bonds issued by any district in the county, the*

*county board is prohibited from terminating the sales tax. Twenty years is typically the longest term for these types of bonds and in some rare cases, up to 40 years. Once the bond payment has been fulfilled for any bonds issued relying on the sales tax for payment, the sales tax can be eliminated.*

*One problem with the law as written is that the wording makes it fairly open-ended. The current wording states that the county board may not reduce or terminate the tax as long as doing so would inhibit the ability to repay outstanding bonds.*

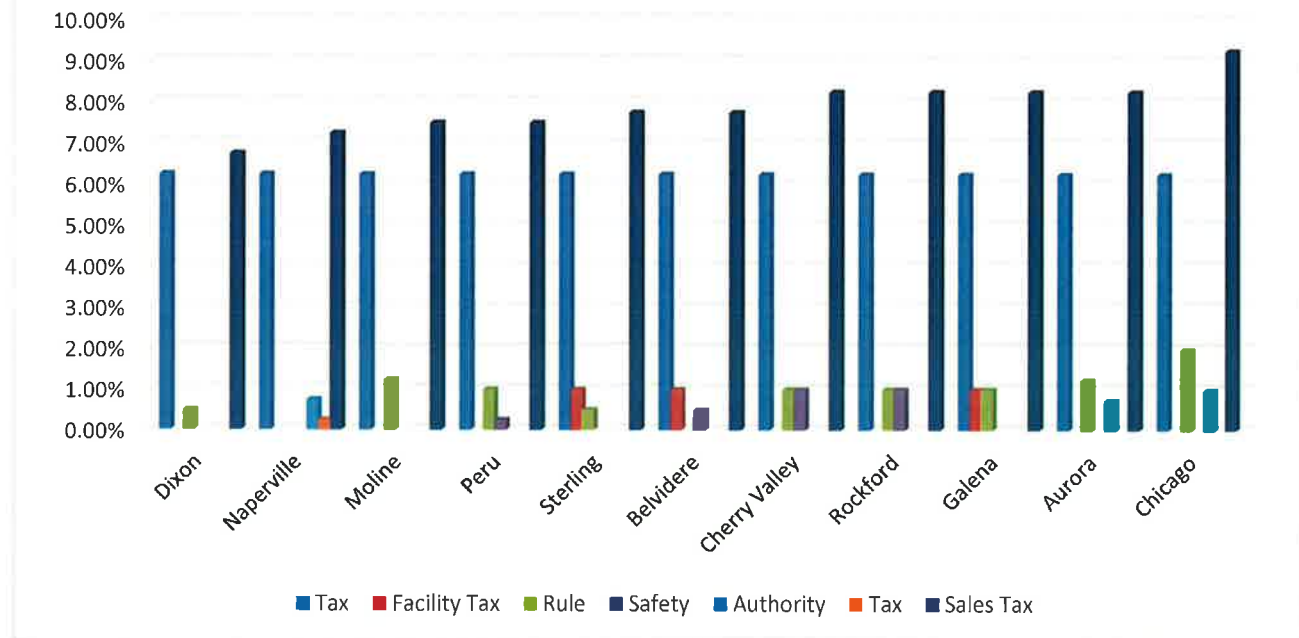
*The hole in the law regards who makes the decision that the school district can repay the bonds out of other funds or not. A possible solution is to amend the law to state that as long as outstanding bonds are not paid in full, the tax will remain in place.*

Revenues generated from the school tax are limited primarily to brick-and-mortar projects, such as new facilities, additions and renovations, maintenance, land acquisition, energy-efficiency projects or property tax relief. The sales tax money cannot be used for salaries, overhead and operating costs, textbooks, furniture, computers and buses.

**Sales Tax Rates** – I presented the following information back in September of 2015 and due to the recent activities I thought it might be of interest once again. Sales Tax rates for popular area shopping locations are as follows:

	<u>State</u> <u>Tax</u>	<u>County</u> <u>School</u> <u>Facility</u> <u>Tax</u>	<u>Local</u> <u>Home/</u> <u>Non-Home</u> <u>Rule</u>	<u>County</u> <u>Public</u> <u>Safety</u>	<u>Regional</u> <u>Transp.</u> <u>Authority</u>	<u>County</u> <u>Water</u> <u>Tax</u>	<u>Total</u> <u>General</u> <u>Sales</u> <u>Tax</u>
Dixon	6.25%		0.50%				6.75%
Naperville	6.25%				0.75%	0.25%	7.25%
Moline	6.25%		1.25%				7.50%
Peru	6.25%		1.00%	0.25%			7.50%
Sterling	6.25%	1.00%	0.50%				7.75%
Belvidere	6.25%	1.00%		0.50%			7.75%
Cherry Valley	6.25%		1.00%	1.00%			8.25%
Rockford	6.25%		1.00%	1.00%			8.25%
Galena	6.25%	1.00%	1.00%				8.25%
Aurora	6.25%		1.25%		0.75%		8.25%
Chicago	6.25%		2.00%		1.00%		9.25%

## Sales Tax Rates



**Other Taxing Bodies - Carroll County** – It was reported by Christopher Heimerman on SaukValley.com that the Carroll County school superintendents were going to try and pass a 1% County School Facility Operation Tax increase for the fifth time during the March 15<sup>th</sup> Primary. He reported that the closest it had come to passing was March 2014 Primary, when it fell short by 101 votes, 1,462 to 1,361.

Quoting Mr. Heimerman’s article, “It can be used to pay for a good chunk of what the taxpayers are currently paying,” said Tim Schurman, superintendent of the Chadwick-Milledgeville district. “Visitors to our county ... could be paying for improvements in the district.”

**Lee County** – The Lee County Board passed a resolution prior to the December 28, 2015 deadline allowing a ballot question be put on the March 15th Primary Election that will ask residents to vote on a public facilities referendum that would add a 1% sales tax on tangible goods to fund the new detention center facility. As is the case with a county sales tax for schools this would be applied to everything but medications (including over-the-counter and vitamins), unprepared food, cars, trucks, ATVs, boats, RVs, mobile homes, and farm equipment and parts.

Lee County Sheriff John Simonton and various county representatives have been putting presentations on around the county in an attempt to educate the voters as to the structural and environmental issues with the current detention facility and what could happen if either the Attorney General’s Office or a judge forces the county to either remediate the problems or build a new facility. Sheriff Simonton, Lee County Assessor Wendy Ryerson and County Board Chairman Rick Ketchum met with Dixon Public Schools representatives on Tuesday, February 9, 2016, and explained that the amount of annual revenue that the 1% sales tax will generate, approximately \$2.2M, was considerably more than was originally estimated, \$0.9M. They said, knowing the school district may be looking for voter approval for building purposes, they were considering

asking the Lee County Board to act on a resolution which could reduce the sales tax percentage after the fact.

Since it too late to revise the ballot question voters would still be asked to implement the 1% sales tax initially, but with a county board resolution prior to the vote and an ordinance after the election, if successful, the additional sales tax would become 0.5% rather than 1% (1/2 of what is being asked for on the ballot or \$1.1M rather than \$2.2M) prior to ever being implemented. This would then be the script until the debt is retired (this could extend the debt service from approximately 9 years to approximately 19 years) after which it would revert back to 0.25% (for maintenance purposes) according to their plan. Further discussions on this matter by county board members may take place prior the February Board of Education meeting.