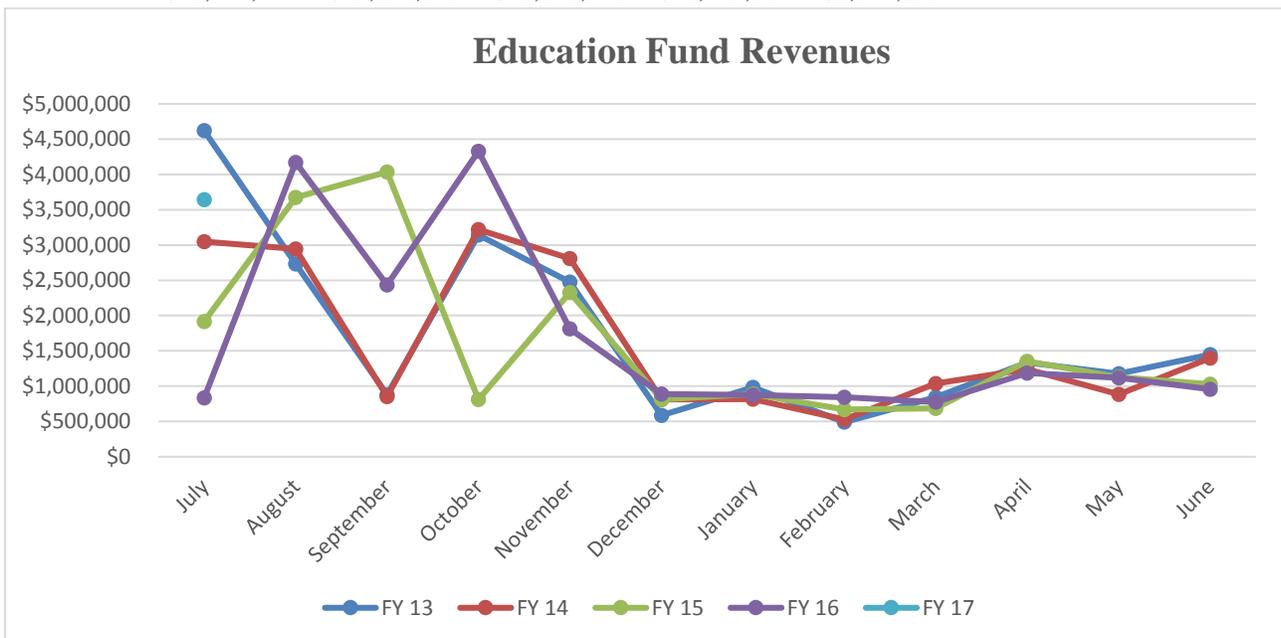


**Local Revenues** - In June of this year we received the first property tax installment from Ogle County and a second in July which equates to almost 59% of what we can expect from Ogle for this year's tax cycle. This has been the same schedule that Ogle County has paid out for the past few years.

Last year we didn't receive our first Lee County distribution until August 10, 2015 which presented some cash flow issues and required two withdrawals totaling \$1.650M from investments in order to meet our obligations. This year we received our first installment from Lee County on July 15, 2016 which is one month earlier than last year's first distribution. The chart below shows that July revenues are somewhat unpredictable so having some fund balance is essential in order to operate and avoid short term borrowing. November through June revenues are more alike than the first four months of the fiscal year.

|           | <u>FY 13</u>       | <u>FY 14</u>       | <u>FY 15</u>       | <u>FY 16</u>     | <u>FY 17</u> |
|-----------|--------------------|--------------------|--------------------|------------------|--------------|
| July      | \$4,618,993        | \$3,047,972        | \$1,916,875        | \$834,145        | \$3,641,539  |
| August    | \$2,733,302        | \$2,944,979        | \$3,672,737        | \$4,169,049      |              |
| September | \$877,632          | \$852,030          | \$4,035,111        | \$2,435,960      |              |
| October   | \$3,143,910        | \$3,219,189        | \$810,629          | \$4,328,636      |              |
| November  | \$2,475,819        | \$2,809,430        | \$2,324,475        | \$1,810,511      |              |
| December  | \$586,864          | \$810,809          | \$810,437          | \$888,251        |              |
| January   | \$983,676          | \$818,210          | \$890,415          | \$875,827        |              |
| February  | \$490,011          | \$528,212          | \$669,534          | \$843,477        |              |
| March     | \$845,311          | \$1,038,844        | \$684,540          | \$774,151        |              |
| April     | \$1,334,770        | \$1,238,298        | \$1,351,534        | \$1,186,934      |              |
| May       | \$1,175,153        | \$885,451          | \$1,128,722        | \$1,117,497      |              |
| June      | <u>\$1,449,280</u> | <u>\$1,397,119</u> | <u>\$1,030,109</u> | <u>\$954,619</u> |              |
|           | \$20,714,721       | \$19,590,543       | \$19,325,118       | \$20,219,057     | \$3,641,539  |



**State of Illinois FY 17 Budget** – Last month I reported that the Governor and lawmakers agreed on what could be viewed as a bi-partisan full year K-12 spending plan for part of a partial year budget designed to allow schools to begin their 2016-2017 school year.

The thinking on the partial budget has led to some interesting comments in a recently published article in Illinois Issues written by Jamey Dunn on July 28, 2016. It is the most concise version I have read on the state's current situation and I have included some excerpts from that article as follows:

“It's not even close to being balanced,” says Richard Dye, co-director of the Fiscal Futures Project at the University of Illinois Institute of Government and Public Affairs. “What was passed was with either optimism or ignorance of what revenues were actually flowing in. So it's not clear that everything that was approved in the stopgap budget can be funded because the cash flow through the state through the comptroller's office is just not sufficient.”

Comptroller Leslie Munger had previously stated that she expected a \$10 billion stack of unpaid bills at the end of 2016. That's about \$3 billion more than what the state owed last year at the same time. She stated the passage of the stopgap budget might give some people the impression that the state will begin paying down its overdue bills, but that was not necessarily the case. The Comptroller said she planned to fast track payments to those who didn't receive any for all of last year. “While the stopgap is a positive step forward, it is a very short-term step. It does not address our larger financial issues and our limited available cash. Nor does it provide a predicable funding stream that would allow organizations throughout our state that rely on state funding to plan and budget for the coming year.”

Moody's bond rating agency also seemed to indicate how certain of a solution it viewed the stopgap budget to be. Shortly after it passed with its \$1 billion in operating funds for higher education, Moody's downgraded the credit ratings of Eastern Illinois University, Governor's State University, Northeastern Illinois University and Northern Illinois University. Illinois typically funds higher education to the tune of nearly \$2 billion a year. Last fiscal year, universities and community colleges only got \$600 million.

The stopgap plan gave spending authority to pay for things that weren't being funded without a budget, and it allowed the state to tap into some special funds and sources of money. But Illinois still can't afford to pay for all the education, health care, social services, pension payments, bond payments, and other costs it incurs on a daily basis. Instead, it has now begun its second fiscal year of spending like the temporary income tax increase is still in place, even though tax rates have rolled back.

“The state needs new revenues if anything close to current programs are going to be maintained,” Dye says. “The longer we wait, the bigger the hole, the bigger the negative side effects of any solution.” The backlog will pile up. Deeper cuts and higher taxes will be needed to fill the widening budget gap. Because social service agencies, universities and community colleges are on unequal fiscal footing heading into this fiscal year, some will continue to struggle even if they do receive payment.

While the stopgap budget in many ways appears to prolong and possibly even deepen the state's fiscal calamity, the state's leaders generally say they see it as a glimmer of hope that a grand bargain can be reached after the November general election. Although opinions on how that bargain might be reached appear to diverge along political lines.

Shortly after the stopgap budget was approved in the House, Speaker Michael Madigan described it as “very important work” that was accomplished after “serious compromise and good-faith efforts.” He said that the plan is proof that Democrats and Republicans can work together to get a budget passed. But he went on to say that previous efforts at putting a comprehensive budget in place were foiled by Governor Rauner’s insistence that some parts of his so-called Turnaround Agenda become law before he will consider a tax increase. “The difference today is that the governor has dropped his demand that his agenda be considered before a budget could be approved,” Madigan said on the House floor after the stopgap passed.

Governor Rauner described the bipartisan deal as an important exercise in trust and relationship building. He said that the state’s worst days are now behind it. “I believe and I firmly hope that right now we’ve hit the bottom. This is the low point in the evolution of Illinois. And now, we begin to move up.” In the months following the approval of the temporary budget, the governor has continued to push for his agenda, saying he would never cease to try to change what he describes as the gradual decline of the state. Just this week, he renewed his call for lawmakers to approve a constitutional amendment that would limit the number of terms legislators can serve.

Senate Minority Leader Christine Radogno says that overcoming partisan gridlock, even if just to pass a temporary plan, was an encouraging breakthrough. “I think that we’ll continue this kind of model of cooperation.”

Comptroller Munger joins her fellow Republicans in looking on the bright side. “No one can deny that we have serious financial problems in our state. It is long past time that we all accept responsibility for the decisions of the past and work hard and diligently on the road to recovery.” She says the first step on that road is the “passage of a comprehensive balanced budget,” and she thinks lawmakers and the governor can build off the collaborative work that went into passage of the temporary budget. “I’m an optimist, and I believe that all of this is possible.”

But Dye’s view falls on the other end of the spectrum. “I come at this somewhat pessimistically. ... It’s hard to be optimistic. Even if there were new revenue sources, are they sufficient to pay down the backlog? Are they sufficient to catch up ... the extent to which different agencies have not been funded for a year and a half?”

Dye says he expects that if a budget deal is reached after November, it will rely on accounting gimmicks and push some costs into future years because trying to completely tackle the deficit would be virtually politically impossible. “We really are in a position where things have gotten so bad that we can’t have expectations of taxing and spending levels kind of what they were like in recent years. Things have to change in terms of the nature of government and what people expect to have to pay or expect to get.”

**FY 17 Dixon USD #170 Budget** - We have been working on the process of assembling the FY 17 Budget. This budget will serve as a financial plan which is designed to accomplish the District’s goals as well as providing required financial and programmatic information for state, local and federal governmental bodies. It also provides us the ability to expend and gives us our taxing authority.

We are obligated to have a tentative budget for the fiscal year which began on July 1, 2016, and it must be on file for a minimum of 30 days and conveniently available for public inspection. We must also publish a notice and then hold at least one public hearing where the public can ask questions and provide input. The Board must then vote to adopt or reject the budget at a public

meeting. The District must have a budget adopted by the end of the first quarter, September 30, 2016. We do have the ability to amend the budget, if necessary, at a later date by repeating this process. It will be my recommendation that a Public Hearing for the FY 17 Budget be established at 6:30 p.m., September 14, 2016 which will precede the regular Board of Education meeting that evening. The Board can then take action during the course of the regular meeting as to whether to adopt or reject the budget.