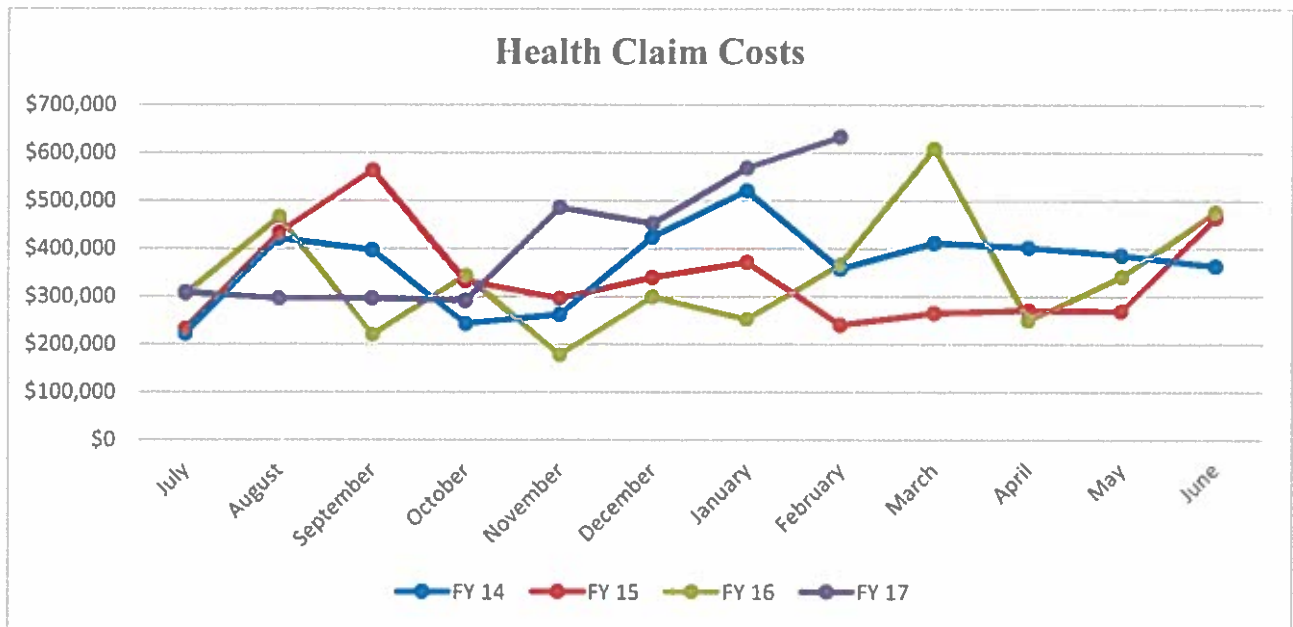


**Health Claims** – The February 2017 health claims (\$634,151) were the fourth month in a row where claims were higher than similar months in previous claim years. See the purple (FY 17) line in the chart below. These first eight months of the new FY 17 fiscal year are trending considerably higher than FY 16 and we are currently \$905,103 higher than we were at this time last year. The matter was discussed at the March 7, 2017 Insurance Committee meeting and it was reported that costs were 49% over the prior year’s actual costs and 20% over the projected average in the plan year (Sept. – Aug.) which differs from the District’s fiscal year.

As is repeatedly mentioned in the past Dixon USD #170 is and has been self-insured for over 25 years. That means that the District utilizes a third party administrator, in our case IPMG, to process and pay claims based on the District’s Health Plan and then purchases excess reimbursement coverage for claimants who exceed \$125,000 per year (there is also an additional aggregating specific of another \$112,000 obligation to the District for claims over the \$125,000 threshold). Although being self-insured is a very cost effective method of providing health care it can create some budgeting issues in that it is almost essential to budget “worst case scenario.”

**Health Insurance Claim Costs**

	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>Difference</u> <u>FY 16 v. FY</u> <u>17</u>
July	\$222,162	\$231,894	\$304,875	\$308,581	\$3,706
August	\$421,391	\$432,872	\$466,102	\$295,643	(\$170,458)
September	\$397,066	\$563,910	\$220,212	\$296,759	\$76,547
October	\$243,165	\$332,572	\$343,562	\$291,870	(\$51,692)
November	\$262,462	\$296,013	\$177,750	\$485,458	\$307,709
December	\$424,641	\$339,803	\$298,825	\$452,775	\$153,950
January	\$521,242	\$371,855	\$251,916	\$569,301	\$317,384
February	\$357,697	\$240,010	\$366,194	\$634,151	\$267,957
March	\$411,642	\$264,983	\$609,034		
April	\$402,767	\$270,826	\$249,562		
May	\$386,683	\$269,454	\$341,218		
June	<u>\$363,790</u>	<u>\$464,321</u>	<u>\$477,279</u>		
Totals	\$4,414,708	\$4,078,512	\$4,106,528	\$3,334,538	\$905,103



**State of Illinois Budget** – As has been mentioned previously Illinois Senate President John Cullerton and Illinois Senate Republican Leader Christine Radogno were trying to pass a bi-partisan compromise that included a number of interlocking bills dubbed the “Grand Bargain.” The plan, which was constantly evolving, included the following bills:

- SB 1 (Cullerton, J.) School Funding Reform
- SB 2 (Lightford) Increase in Minimum Wage
- SB 3 (Cullerton, T.) Consolidation of Townships
- SB 4 (Trotter) Borrowing for Payment of Bills
- SB 5 (Cullerton, J.) Chicago Teacher Pension
- SB 6 (Cullerton, J.) FY 17 Appropriations prior to 7/1/17
- SB 7 (Link) Gaming Expansion
- SB 8 (Harmon) Procurement
- SB 9 (Hutchinson) Tax Increase
- SB 10 (Cullerton, J.) Local Government Assign Receipts
- SB 11 (Cullerton, J.) Pensions
- SB 12 (Connelly) Workers’ Compensation Reform
- SB 13 (Radogno) Property Tax Relief Mandate Relief

The Illinois Senate began voting on the package of bills February 8<sup>th</sup> passing some of the less contentious bills, but then progress slowed down to a halt.

On February 15<sup>th</sup> Governor Bruce Rauner used a portion of his budget address to encourage the Illinois General Assembly to pass the Senate “Grand Bargain” package, which included some of his preferred reforms, pension reform and workers’ compensation changes. “Now is the time to seize the moment, build on the progress made in recent weeks, and right our ship of state,” he said. “Together, we can make Illinois more competitive and more compassionate. We can make the necessary changes to fix our broken system.” He had not publically weighed in on the Senate plan previously and this was the first time he ventured into what he supports within the package of bills.

The governor then went on to advocate a permanent property tax freeze in Illinois, saying a temporary freeze alongside an income tax hike is “just not fair to hard-working taxpayers across the state.” The original Senate plan had a temporary two year freeze attached.

Mark Brown of the Chicago Sun Times wrote the following on February 15<sup>th</sup> after the governor’s address: *“In his speech, the governor laid out parameters for the so-called “grand bargain” that he would be willing to accept. Most notable were probably his declaration that any permanent income tax increase should be accompanied by a permanent property tax freeze, along with a suggestion he’s still open to broadening the state’s sales tax base to apply to services.*

*That should provide some political cover to legislators signing on to the revenue component of any deal, although at quite a cost to schools and local governments. In their grand bargain, the Senate leaders have been looking at a temporary two-year property tax freeze and a personal income tax increase from 3.75 percent to 4.99 percent.*

*In truth, even a temporary freeze could create havoc for schools, cities, counties and townships. A permanent freeze would be extremely destructive to schools in particular, and therefore totally irresponsible, which unfortunately, might make it just the sort of thing legislators will embrace.*

*House Democrats already passed a property tax freeze earlier this year, although that was probably just posturing to polish up their voting records, secure in the knowledge it wasn’t going to become law.*

*It’s hypocritical for leaders of state government, which receives no money from property taxes, to take that source of revenue away from the local governments that depend on it, especially as a tradeoff for an income tax increase that almost exclusively benefits the state. But they know the idea of a property tax freeze is very popular with voters, several of whom are already typing their angry emails to me.*

*Freezes are not so popular with anyone who understands how schools are funded in Illinois.*

*Rauner had been reluctant previously to be specific about what he would or wouldn’t accept in the grand bargain, and I can appreciate why. Whenever he says something, it tends to antagonize Democrats while scaring Republicans afraid they will be accused of getting too far ahead of him.*

*But at a certain point, some legislators just aren’t going to stick their necks out if they don’t know where the governor stands. That’s especially true for Republicans who are already coming under fire from the party’s conservative wing, but also for Democrats who don’t want to take a vote that gets them in trouble with the unions if Rauner is just going to veto the legislation in the end.*

*What matters is whether members of the Senate can figure it out for themselves and move the ball forward.”*

A Chicago Tribune editorial on March 6<sup>th</sup> read: *What will Rauner and the GOP members of the Senate propose that will hit the sweet spot of satisfying recalcitrant Republicans and bringing Democrats back to the table? Because try as some in the GOP might, they cannot solve the budget impasse, or any of the state’s severe problems, without Democratic support.*

*Republicans derailed the package last week. This is theirs to fix.*

*A recap: The fragile budget compromise in the Senate, which includes a dozen bills strung together and an income tax hike, collapsed when Republican senators backed away. They abandoned their leader, Sen. Christine Radogno, who had negotiated the compromise with Senate President John Cullerton.*

*Rauner, along with the right-leaning Illinois Policy Institute and its allies who want more pro-business, pro-growth reforms in the deal, began pressing to stall it. Senate Republicans who supported the compromise were threatened with potential primary opponents in 2018, a strong-arm tactic not unlike those employed by House Speaker Michael Madigan. Republicans routinely accuse Madigan of using his clout and war chest to leverage cooperation from incumbents. Cross him and there's a price to pay.*

*It's the circular dysfunction of a small-D democratic government in Illinois: The self-serving calculus of re-election always seems to eclipse attempts at problem-solving. This time, it was Republicans playing on clout, threats and leverage.*

The following appeared in an editorial in the Springfield Journal-Star written on March 11<sup>th</sup>, "Five passed, but that effort faltered the next day when Governor Bruce Rauner's office said more work was 'needed to achieve a good deal for taxpayers.' All Republicans but Radogno indicated they would not vote on the remaining seven bills."

Voting on the remainder of the bills has not resumed and it appears as if there is currently little or no Republican support for the remaining bills.

**State of Illinois Mandated Categorical Payments** - Our FY 17 GSA payments have arrived as promised (\$205,765.12 twice per month). On the other hand, as of March 6, 2017, we have yet to receive any **FY 17** categorical payments for Special Education: Private Facility Tuition, Funding for Children Requiring Sp. Ed. Services and Personnel or for Transportation: Reg./Voc. and Special Education. FRIS status shows that the first and second payments have been disbursed, but not yet processed by the Comptroller's Office.

<b>FY 17</b>		
<b><u>Fund</u></b>		<b><u>Outstanding</u></b>
		As of 1.3.17
Education	Sp. Ed. - Personnel	\$216,600.24
Education	Children Req. Sp. Ed. Services	\$178,563.14
	Sp. Ed. - Private Facility	
Education	Tuition	<u>\$106,047.15</u>
		<b>\$501,210.53</b>
Transportation	Reg. Ed. & Voc.	\$166,883.87
Transportation	Sp. Ed.	<u>\$279,431.38</u>
		<b>\$446,315.25</b>

Since we have already received 100% of our local property taxes from the 2015 levy extended in 2016 for the FY 17 school year there isn't much more revenue outstanding other than these categorical payments which are being severely delayed due to the state's backlog of owed payments.

A breaking point on the near horizon should we not receive any categorical payments is in the Transportation Fund. We had a fund balance of \$772,377 in the Transportation Fund as of 6/30/16 when we began the fiscal year. We have received \$686,496 from local property taxes, \$0.00 from the State of Illinois (\$1,027,650 was budgeted), and have spent \$1,157,834 as of the end of February. Last month we transferred \$250,000 out of investments in order to cover expenses leaving a total of \$302,324 remaining in the fund as of 2/28/17. We are currently short of cash in the Transportation Fund for March by \$18,000. We have \$130,065.03 in investment at PMA in Transportation Fund. If we pull all of that back it will give us a positive balance for March but will leave just \$112,000, not a full month's worth of expenses for April. **There will not be enough to pay the remaining transportation obligations through the end of the school year without receiving at least one of the State of Illinois' set of payments.**

The Education Fund then becomes the fund of next concern without any payments from the state other than GSA.