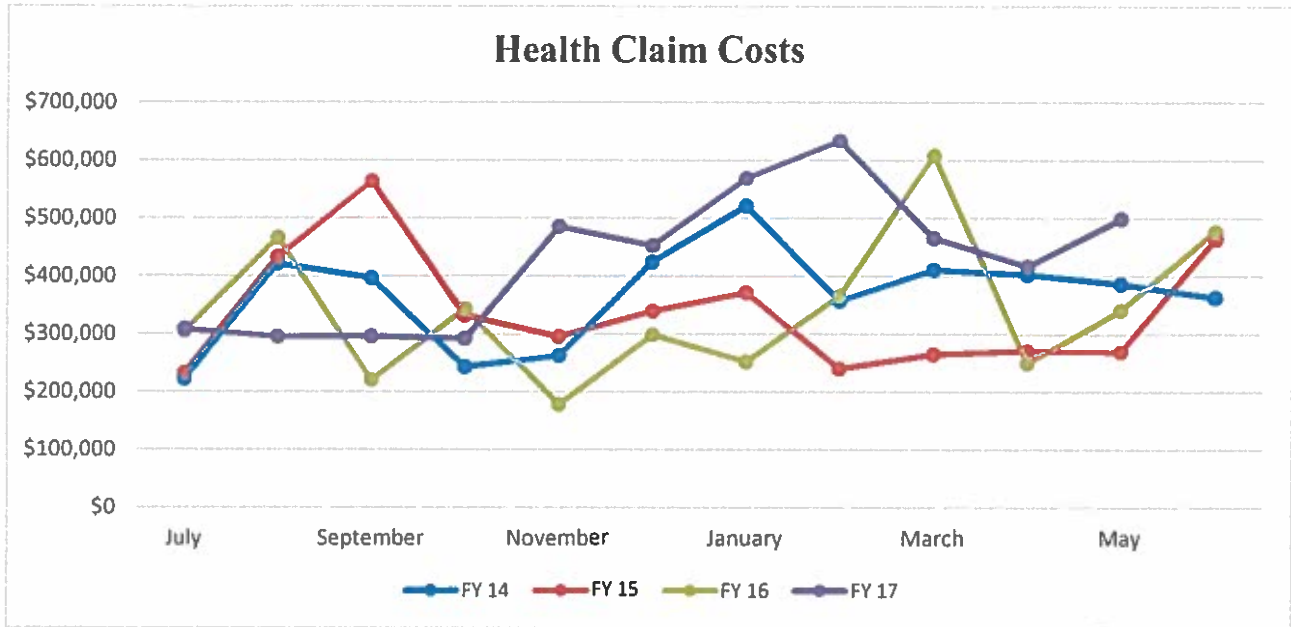


**Health Claims** – The June 2017 health claims (\$375,392) were finally lower than most months in previous three claim years. See the purple (FY 17) line in the chart below. These twelve months of health claims for the FY 17 fiscal year were considerably higher, \$985,831, than last year when we had a reasonably good year.

As is repeatedly mentioned in the past, Dixon USD #170 is and has been self-insured for over 30 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). We received \$369,117 in excess reimbursement for this fiscal year after paying \$476,292 for the reinsurance. Even with higher claim costs this year, being self-insured remains a very cost effective method of providing health coverage.

**Health Insurance Claim Costs**

|           | <u>FY 14</u>     | <u>FY 15</u>     | <u>FY 16</u>     | <u>FY 17</u>     | <u>Difference<br/>FY 16 v. FY<br/>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        | \$465,978        | (\$143,056)                              |
| April     | \$402,767        | \$270,826        | \$249,562        | \$416,898        | \$167,335                                |
| May       | \$386,683        | \$269,454        | \$341,218        | \$499,554        | \$158,335                                |
| June      | <u>\$363,790</u> | <u>\$464,321</u> | <u>\$477,279</u> | <u>\$375,392</u> | <u>(\$101,886)</u>                       |
| Totals    | \$4,414,708      | \$4,078,512      | \$4,106,528      | \$5,092,359      | \$985,831                                |



**State of Illinois Mandated Categorical Payments** - As of June 30, 2017 we had finally received our second, of four, 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 third and fourth payments have been disbursed, but not yet processed by the Comptroller's Office.

|                                 | 1st Payment<br>9/30/2016<br>Disbursed<br>9/28/2016<br>Processed<br>4/21/2017 | 2nd Payment<br>12/30/2016<br>Disbursed<br>12/27/2016<br>Processed<br>6/23/2017 | 3rd Payment<br>3/30/2017<br>Disbursed<br>3/28/2017 | 4th Payment<br>6/20/2017<br>Disbursed<br>6/19/2017 | Total       |
|---------------------------------|--|--|--|--|-------------|
| <b>Education Fund</b>           |  |  |  |  |             |
| 3100 Sp. Ed. Private Facility   | \$53,235   | \$52,812   | \$52,812   | \$52,812   | \$211,671   |
| 3105 Fund Child Require Sp. Ed. | \$89,282   | \$89,282   | \$89,282   | \$89,282   | \$357,128   |
| 3110 Sp. Ed. Personnel          | \$108,300  | \$108,300  | \$108,300  | \$108,300  | \$433,200   |
|                                 | \$250,817  | \$250,394  | \$250,394  | \$250,394  | \$1,001,999 |
| <b>Transportation Fund</b>      |  |  |  |  |             |
| 3500 Reg. & Voc.                | \$83,913   | \$82,971   | \$82,969   | \$82,970   | \$332,823   |
| 3510 Sp. Ed.                    | \$140,742  | \$138,690  | \$140,330  | \$140,330  | \$560,092   |
|                                 | \$224,655  | \$221,661  | \$223,299  | \$223,300  | \$892,915   |

Since these were somewhat extraordinary times, I reached out to our accountant, Matt Schueler from Wipfli, to ask whether we would still consider the two remaining payments as receivables, not knowing when they would arrive. His response was as follows: "Your question about remaining categorical payments can be answered with the following: Simply put, the District should recognize assets when eligibility are met and recognize revenue when the revenue is available. Overall, I would think the District would still recognize the revenue to the extent they have received in the past. For example, if it takes 9 months to collect 100% you should still recognize all revenue at

6.30.17. Absent of communication from the State saying there are not paying, you should record at the percentage you normally receive. Let me know if you have questions.”

Since the State of Illinois was estimated to have an approximately \$14.7 billion in past-due bills it is uncertain as to when payments could arrive.

**State of Illinois Budget** – The Illinois House voted Thursday on Thursday, July 6<sup>th</sup>, to override Governor Rauner’s vetoes of a budget package matching what the Senate had already done. This gives the state its first budget in more than two years and ending what could be the nation’s longest fiscal stalemate of its kind. The package included approximately \$3B in cuts and additional revenues, primarily through an income tax increase bringing the rates to close to where they were prior to the last gubernatorial election. The state income tax increase means individuals will pay 4.95 percent instead of 3.75 percent. The corporate rate jumps to 7 percent from 5.25 percent. The tax hike is retroactive to July 1, and the state could start seeing some additional money within weeks.

This override vote was the culmination of two straight weeks of a special session that began after the end of the May session ended and ahead of the July 1 start of the new fiscal year. The original plan to spend \$36 billion in the fiscal year that began July 1 was originally approved 74-37 prior to the governor’s veto. The final override vote was approved by a 71-42 vote, the exact 71 (61 Democrats and 10 Republicans) votes needed. Fifteen Republicans had broken ranks and voted “yes” on Sunday, the 2<sup>nd</sup>. When the override vote took place Thursday, the 6<sup>th</sup>, only 10 Republicans were still on board. Speaker Madigan had to rely upon four of his own Democratic members who had voted against the tax hike on Sunday in order to get to 71.

Passage was crucial since credit-rating houses had threatened to downgrade the state’s creditworthiness to “junk,” signaling state debt purchases as highly speculative venture. Two of the credit agencies gave Illinois some breathing room Monday after the weekend tax vote showed signs that a budget might be in the works. On Wednesday, a third credit-rating agency, Moody’s Investors Service, put Illinois under review for a downgrade even if lawmakers reversed the veto. They contended that despite the progress being made, the budget package did not address the state’s \$130 billion unfunded liability in employee pensions or do enough to pay down bills, Moody’s said.

To date nothing more has been done legislatively on the Governor’s “Turnaround Agenda” structural changes he had previously demanded. Some of those had include a statewide property tax freeze, cost-cutting restrictions on compensation for injured workers, changes to pension benefits for state employees, and reforms making it easier for voters to merge or eliminate local governing bodies. He had lately really been emphasizing the need for a property tax freeze and term limits.

**State of Illinois - K-12 School Funding** – The state’s over 800 school districts, including the financially strapped Chicago Public Schools, will have to wait a little longer to see if any of their long term financial problems will be resolved any time soon.

**The unusual thing about this budget is school funding is “separate, though connected.”** The budget House members approved does authorize more spending for schools, about \$350 million

more throughout the state, but doesn't include the new funding formula for processing the general state aid. That formula, known as the "Evidence-Based School Funding" model is spelled out in separate legislation, Senate Bill 1, that has passed both houses of the Legislature, but is thought to be destined for veto by Governor Rauner once it lands on his desk. Another alternative bill, introduced by Sen. Jason Barickman (R-Bloomington), was also filed, but hasn't been voted on at all. The previous funding formula that had been used was considered by some to be one of the most inequitable school funding systems in the nation.

The Senate has yet to send SB1 to Governor Rauner, apparently waiting for the budget situation to be resolved before doing so. The governor has stated that he will veto it, saying it was "90 percent of what he was looking for, but amounts to a Chicago Public Schools bailout." It appears as if Chicago Public Schools' funding will increase a little bit, but not to the extent it needs to balance its books.

The budget bills did contain additional statewide spending for other school matters: \$50 million extra on early childhood education, \$57 million more for transportation, and \$3.2 million more for agricultural education. The budget's new tax revenues, which the Illinois Comptroller Susana Mendoza's office said would allow it to cut checks for a remaining \$850 million in late block grant payments to CPS and other downstate districts, but "there is no immediate cash infusion so it may take time to catch up. Since it is only weeks away from school starting it would be beneficial for school districts across the state to know what their funding will be for the next school year."

It is uncertain as to whether discussions are taking place to come up with a consensus agreeable to both chambers and the governor.