

November 2017 Busine\$\$ Report

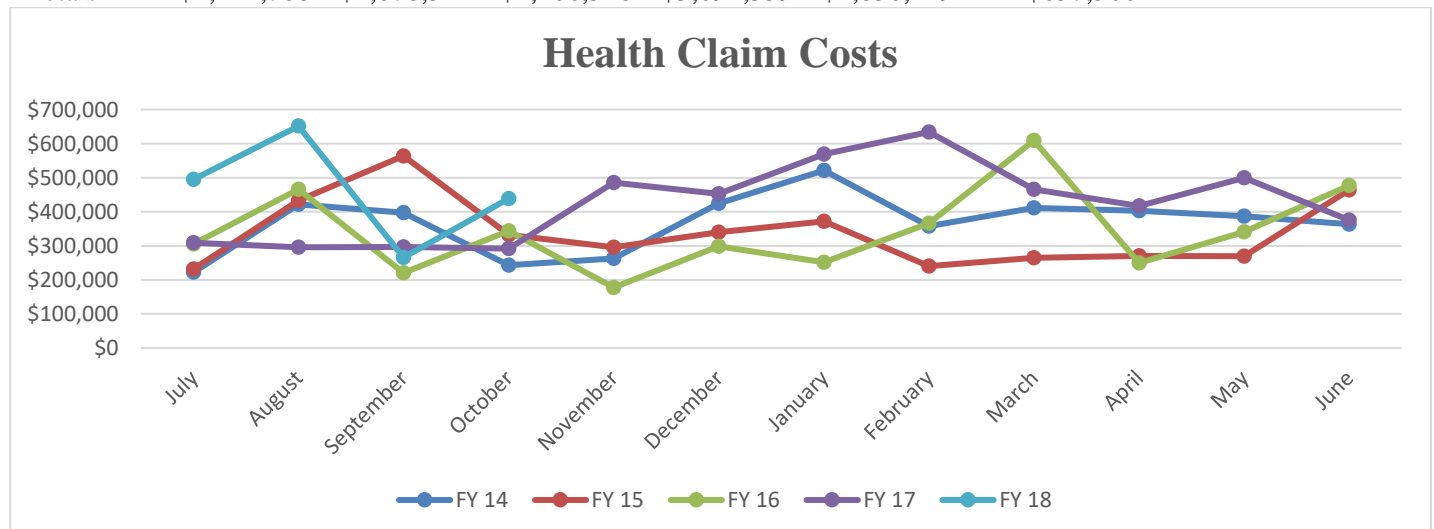
BY DAVE BLACKBURN

Health Claims – The October 2017 health claims of \$438,396 were once again higher than in the past similar months. See the blue line (FY 18) in the line chart below. There were no more excess reimbursements since we are well into the new plan year.

As was 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). 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>FY 18</u>	<u>Difference</u> <u>FY 17 v. FY 18</u>
July	\$222,162	\$231,894	\$304,875	\$308,581	\$494,819	\$186,239
August	\$421,391	\$432,872	\$466,102	\$295,643	\$651,398	\$355,755
September	\$397,066	\$563,910	\$220,212	\$296,759	\$265,806	(\$30,953)
October	\$243,165	\$332,572	\$343,562	\$291,870	\$438,396	\$146,526
November	\$262,462	\$296,013	\$177,750	\$485,458		
December	\$424,641	\$339,803	\$298,825	\$452,775		
January	\$521,242	\$371,855	\$251,916	\$569,301		
February	\$357,697	\$240,010	\$366,194	\$634,151		
March	\$411,642	\$264,983	\$609,034	\$465,978		
April	\$402,767	\$270,826	\$249,562	\$416,898		
May	\$386,683	\$269,454	\$341,218	\$499,554		
June	<u>\$363,790</u>	<u>\$464,321</u>	<u>\$477,279</u>	<u>\$375,392</u>		
Totals	\$4,414,708	\$4,078,512	\$4,106,528	\$5,092,359	\$1,850,419	\$657,566



State of Illinois Mandated Categorical Payments - We finally received our fourth and final 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. **We also received the FY 17 Early Childhood payment of \$255,955 that was disbursed on June 1, 2017, and finally processed.** These payments were the last that were outstanding for FY 17 from the State of Illinois.

	1st Payment 9/30/2016 Disbursed 9/28/2016 Processed 4/21/2017	2nd Payment 12/30/2016 Disbursed 12/27/2016 Processed 6/21/2017	3rd Payment 3/30/2017 Disbursed 3/28/2017 Processed 8/10/2017	4th Payment 6/20/2017 Disbursed 6/19/2017 Processed 10/25/2017	Total
Education Fund					
3100 Sp. Ed. Private Facility	\$53,235	\$52,812	\$53,235	\$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	\$250,817	\$250,394	\$250,394	\$1,001,999
Transportation Fund					
3500 Reg. & Voc.	\$83,913	\$82,971	\$83,913	\$82,970	\$332,823
3510 Sp. Ed.	\$140,742	\$140,742	\$140,330	\$140,330	\$560,092
	\$224,655	\$224,655	\$223,299	\$223,300	\$892,915

2017 Levy – The levy is the amount of money a school district certifies to be raised from property taxes. Our District’s levy process will begin in November and be completed at our December meeting. A tentative levy will be placed on file for a minimum of 20 days before the permanent levy is voted on by the Board of Education and filed with the county clerks (Lee and Ogle) by the last Tuesday in December.

This levy will be extended in the spring and summer of 2018 and represents tax revenues that will be collected to operate the FY 19 (2018-2019) school year. It is important that the Board realizes that the assessed value figure for the 2017 tax year is a projection. We will not have actual 2017 Equalized Assessed Value figures until April or May of next year, but the District will not have the opportunity to amend the 2017 tax levy at that time. Because of this time cycle, the tendency is to estimate the assessed value slightly on the high side. **A taxing body can and probably will get less, but it cannot get more than its levy.**

Although actual 2017 EAV figures will not be available from either Lee or Ogle Counties for several months, estimates from the assessors’ offices show a combined EAV slightly increasing without taking into consideration appeals, exemptions or new construction.

Since we are currently looking at deficit spending in FY 18 which would further lessen our fund balance and due to our needs in the Education Fund it would be advisable to capture all of the funds we have access to (i.e., Education = \$2.95/\$100 EAV (maximum limit)).

A Truth in Taxation would be required if the current year’s levy request (excluding bond and interest) was more than 5% greater than the prior year’s extension. If that were the case a notice must be published in the area newspaper no more than 14 and no less than 7 days before the date to of the public hearing. A public hearing must then be held where the District explains the reasons for the levy and any increases and then must permit anyone wishing to speak the opportunity to do so. Because this recommended regular tax levy is less

than a five percent increase over the estimated 2016 levy extension, a Truth in Taxation hearing is not required. Final action considering adoption and certification of the levy will take place at the December 13, 2017 meeting.

County School Facility Tax – On November 8, 2016 Lee County voters approved a 1% countywide school facilities sales tax increase which began being collected on July 1, 2017. The Illinois Department of Revenue collects the funds which are then provided to the Regional Superintendent of Schools to distribute to local school districts on a per Lee County pupil basis. Dixon Public Schools' July amount of \$112,390.43 arrived on Monday, November 6, 2017. The revenue was placed in the Capital Projects – Fund 60 and can only be used for new facilities, additions & renovations, security, entrances, safety, disabled access, architectural planning, energy efficiency, parking lots, issuing bonds or retiring bonds. The Board of Education does have the ability to issue alternative revenue bonds if it prefers to borrow funds to complete projects earlier rather than utilize a pay as you go method. This can be done by pledging the sales tax proceeds to do the debt service.

Property Tax Relief SB 851 – There is new property tax legislation pending in Springfield currently aimed at Cook and collar counties that could ultimately impact school downstate districts through referendum. The two-year temporary property tax freeze also increases the current general homestead exemption from \$6,000 to \$10,000 and the senior exemption from \$5,000 to \$8,000. Dixon Public Schools currently has 6,548 homestead exemptions in Lee and Ogle counties and 2,224 senior exemptions. If implemented these exemptions would lower the District's total EAV by (\$32,864,000) and increase the total tax rate adversely impacting those who aren't able to utilize the exemptions while possibly lowering the property taxes collected overall.

The Illinois News Network reported the following article online:

Illinois House OKs property tax relief bill that critics say shifts costs, is too watered down

- *By Dan McCaleb / Illinois News Network*
- *Nov 8, 2017*

The Illinois House approved a two-year property tax relief measure Wednesday that critics say is too watered down with exemptions and actually would serve as a cost shift to businesses and others.

Illinois Rep. Michelle Mussman, D-Schaumburg, introduced Senate Bill 851, which implement a two-year freeze on property taxes in Cook and the collar counties. Downstate voters also can choose a two-year freeze if they approve it by referendum.

School districts on the state's financial watch list, including Chicago Public Schools and 65 other districts statewide, would be exempt from the freeze. Levy increases for pension and other local debt also would be exempt.

Mussman's legislation also would increase the individual homestead exemption to \$10,000 and the senior citizens exemption to \$8,000.

Acknowledging that critics would prefer a longer-term freeze, Mussman said her measure is a good start.

"I would say a two-year freeze is a good way to introduce this topic," she said. "This is an attempt to compromise with the governor. ... You asked for reform. This is a method of reform."

Illinoisans pay the second highest property taxes in the country, and Gov. Bruce Rauner has made property tax relief a vital part of his Turnaround Agenda.

Rep. Steve Reick, R-Woodstock, said the measure is more of a cost shift because of the increased homestead and senior citizens exemptions.

"If what you do is freeze taxes for certain people, you're going to switch the tax liability over to others," Reick said. The amount of money local units of government collect "isn't going to go down, it's just going get shifted over to businesses and renters and people like that."

Reick said Mussman's legislation was the wrong way to help overly burdened property owners.

"We do it through reform, we don't do it through gimmicks like freezes that only last for two years," he said.

Rep. Peter Breen, R-Lombard, said Wednesday's vote was political theater to impress voters.

"It's all being done apparently for re-election tricks because there's no chance this will actually be acted upon in the Illinois Senate," Breen said. "I'll be supporting it but, boy, I'll be skeptical and cynical just as I started the day."

Rep. Jeanne Ives, R-Wheaton, said the legislation doesn't do anything to address government spending that drives up the property tax burden statewide.

"It is a political pandering piece of garbage," Ives said. "It does not do anything about the cost drivers that drive up property taxes."

The House voted 75-32, with one member voting present. It now goes to the Illinois Senate.

Dan McCaleb is news director of Illinois News Network and the digital hub ILNews.org. He welcomes your comments. Contact Dan at dmccaleb@ilnews.org.

Another Springfield insider I spoke with thought that this may be political cover for those who cast votes for the income tax increase and said there is a chance it won't even be called in the Senate. It seems like sometimes the State of Illinois giveth (Evidence Based Funding Model) and taketh away (Local Property Tax Freeze). **Late in the day on Thursday, November 9, 2017 I learned that the Senate adjourned without acting on the bill and they don't return until January.**