

## August 2017 Business Report

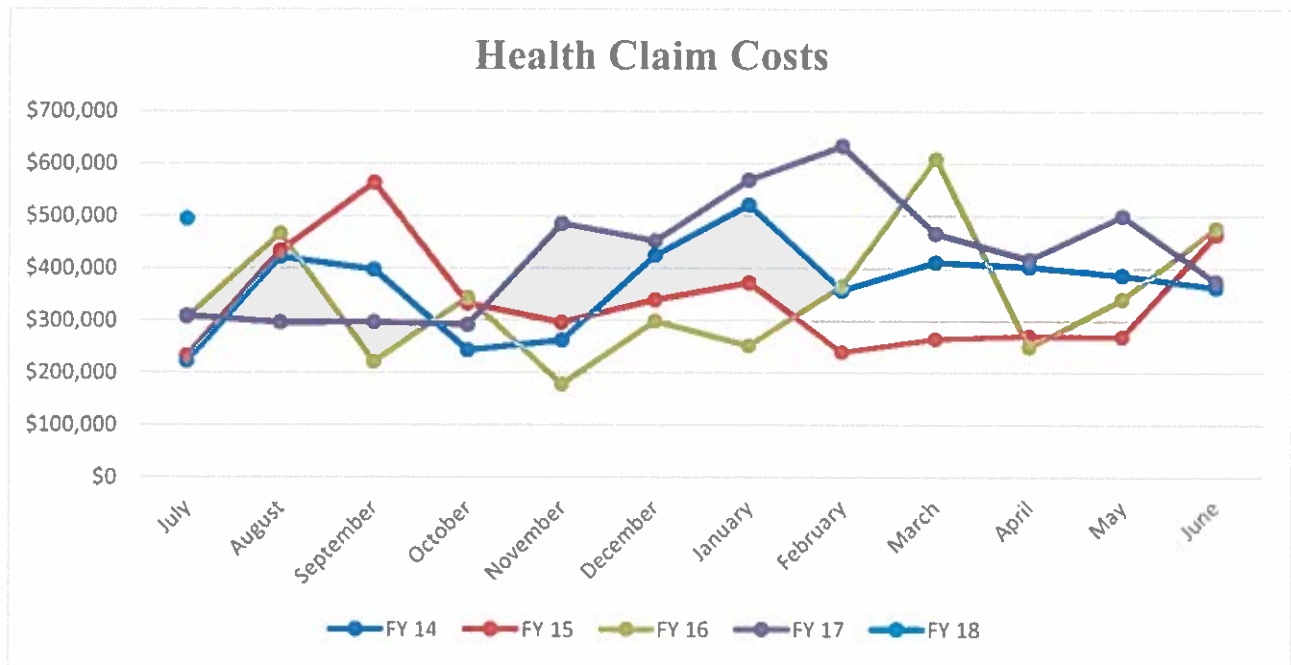
BY DAYE BLACKBURN

**Health Claims** – The July 2017 health claims \$494,819 were once again higher than most months in previous four claim years. See the blue dot (FY 18) in the line chart below. Since the twelve month plan year ends at the end of August (The Health Plan Year (September – August) does not match the fiscal year (July – June)) and since we have exceeded some of the excess loss threshold limits we can expect close to \$100,000 in excess loss reimbursements next month once processed. These reimbursements should surface in next month’s report.

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<br/>FY 17 v. FY<br/>18</u> |
|-----------|------------------|------------------|------------------|------------------|--------------|------------------------------------------|
| July      | \$222,162        | \$231,894        | \$304,875        | \$308,581        | \$494,819    | \$186,239                                |
| August    | \$421,391        | \$432,872        | \$466,102        | \$295,643        |              |                                          |
| September | \$397,066        | \$563,910        | \$220,212        | \$296,759        |              |                                          |
| October   | \$243,165        | \$332,572        | \$343,562        | \$291,870        |              |                                          |
| 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      |              | \$186,239                                |



**FY 18 Dixon USD #170 Budget** - We have been working on the process of assembling the FY 18 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, 2017, 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, 2017. 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 18 Budget be established at 6:30 p.m., September 13, 2017 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.

**State of Illinois - K-12 School Funding** – I had mentioned last month that although the legislature overrode the Governor’s FY 18 Budget veto **the unusual thing about this budget was that school funding was “separate, though connected.”** The budget House members approved authorized more spending for schools, about \$350 million more throughout the state, but didn’t include the new funding formula for processing the general state aid. That formula, known as the “Evidence-Based School Funding” model was spelled out in separate legislation, **Senate Bill 1**, that had passed both houses of the Legislature during the regular session, but was put on hold and not given to the Governor until Monday, July 31<sup>st</sup>. Governor Rauner utilized an amendatory veto the following day.

**From the Governor's Webpage:** *Today, Gov. Bruce Rauner issued an amendatory veto to Senate Bill 1, the school funding bill. The matter now heads to the Illinois General Assembly, where the governor has respectfully requested that lawmakers uphold his changes. If these changes are upheld, Illinois will achieve historic education funding reform.*

*"It doesn't matter where you come from or who your family is. With a great education, you can go anywhere in life and be whomever you want to be. You can grow up, get a good job and provide for your family. That's why the changes I have made to the education funding bill are so important," Gov. Rauner said. "With my changes, our state ensures that enough resources flow to children in the poorest and most disadvantaged school districts across the entire state. And my changes ensure that the education funding system in our state is fair and equitable to all students in Illinois."*

*More than a year ago, Gov. Rauner established the Illinois School Funding Reform Commission. This group came together on a bipartisan basis to study the way Illinois funds its public schools, and to chart a path to a fairer and more equitable system.*

*"These changes included in my amendatory veto reflect years of hard work by our education reform commission and our ability to overcome our political differences for the good of our young people's futures," Gov. Rauner said. "I urge the General Assembly to act quickly to accept these changes and let our students start school on time."*

*The governor's amendatory veto makes the following changes to ensure an adequate and equitable school funding formula:*

- *Maintains a per-district hold harmless until the 2020-2021 school year, and then moves to a per-pupil hold harmless based on a three-year rolling average of enrollment.*
- *Removes the minimum funding requirement. While the governor is committed to ensuring that the legislature satisfies its duty to fund schools, the proposed trigger of one percent of the overall adequacy target plus \$93 million artificially inflates the minimum funding number and jeopardizes Tier II funding.*
- *Removes the Chicago block grant from the funding formula.*
- *Removes both Chicago Public Schools pension considerations from the formula: the normal cost pick-up and the unfunded liability deduction.*
- *Reintegrates the normal cost pick-up for Chicago Public Schools into the Pension Code where it belongs, and finally begins to treat Chicago like all other districts with regards to the State's relationship with its teachers' pensions.*
- *Eliminates the PTELL and TIF equalized assessed value subsidies that allow districts to continue under-reporting property wealth.*
- *Removes the escalators throughout the bill that automatically increase costs.*
- *Retains the floor for the regionalization factor, for the purposes of equity, and adds a cap, for the purposes of adequacy.*

*The amendatory veto also removes the accounting for future pension cost shifts to districts in the Adequacy Target. This prevents districts from ever fully taking responsibility for the normal costs of their teachers' pensions. August 1, 2017*

**From SB 1 Sponsor Senator Andy Manar's Website:** *Senator Andy Manar's (D-Bunker Hill), sponsor of Senate Bill 1, the school funding reform measure that has overwhelming support statewide, issued the following statement regarding Gov. Bruce Rauner's amendatory veto of the legislation:*

*“Gov. Rauner has chosen to imperil years of work and negotiation on school funding reform against the wishes and advice of thousands of superintendents, educators, parents and experts throughout the state.*

*“Senate Democrats are reviewing his veto, which on its face appears to have significant challenges — both legally and functionally — that would be disastrous for the least-funded schools in Illinois.*

*“I want to reiterate that Democratic lawmakers believed we could get to a reasonable compromise with the governor through negotiations that would have alleviated his concerns about Senate Bill 1.*

*“Fortunately, we remain confident that we still have the opportunity to come to a reasonable compromise through further negotiations with our Republican colleagues, despite the governor’s action today.” August 1, 2017*

It is anybody’s guess as to what is the ultimate fate of the bill. The Senate entered the amendatory veto into the record on August 1, 2017, starting the 15 day (meaning a August 16 deadline) clock running for the chamber to either override the veto or vote to accept it. Either overriding the veto or accepting the changes takes a three-fifths vote in the House (71 votes) and Senate (36 votes). If either action takes place it would then be sent to the House with the same 15 day timelines applying. At this time, there is no schedule for either the House or Senate to return to Springfield during the remainder of August.

If the chambers do neither, the bill will die and then there will be no mechanism in place for school districts around the state to begin receiving state aid payments scheduled to begin on August 10, 2017 this year. Although money is in the new budget for K-12 education, it cannot be distributed to schools unless a revamped school aid formula is first put into place.

The supermajority requirement presents a political challenge. There are 37 Senate Democrats, more than enough to overturn the Governor’s AV, but there are just 67 Democrats in the House, meaning they must find Republican lawmakers to help like they did last month to override the Governor's vetoes of a tax hike and budget. If the 36/71 numbers are unattainable lawmakers would have to negotiate a new education funding plan. "It's going to take some time, and the governor's actions today are going to extend the time that it takes to solve this problem," said Sen. Manar.