TO: Illinois State Board of Education

FROM: Robert E. Schiller, Superintendent
David Wood, Director

Agenda Topic: Action Item - School District Financial Profile

Staff Contact(s): David Wood, Gary Ey, and Debbie Vespa

Purpose of Agenda Item

To seek approval from the State Board for the School District Financial Profile which replaces the Financial Assurance and Accountability System (FAAS).

Expected Outcome(s) of Agenda Item

The State Board will approve the new School District Financial Profile for use to present financial information about school districts and to establish a financial designation system.

Background Information

In March, 2002, staff met with the Board to release the final Financial Watch, Financially Certified, and Financial Oversight Panel lists under the FAAS measure and process. Since that time, staff finalized a new financial profile and designation system for use as an internal management tool and demonstrated it to the Board during the October meeting.

The development of this profile and designation system involved a number of diverse partners throughout the state, including representatives of the Illinois Association of School Administrators, Illinois Association of School Boards, Illinois Association of School Business Officials (IASBO), the IASBO Board of Directors, the Management Alliance, the Large Unit District Administrators...
Association (LUDA), Ed-Red, Chicago Public Schools District 299, the Illinois Financial Advisory Committee, and the State Board’s Finance Committee.

The School District Financial Profile uses data collected annually through the Annual Financial Report (AFR) process for three purposes:

- To establish a financial designation for every Illinois school district considering five indicators.
- To illustrate and compare financial and demographic information for a five-year period.
- To organize a system of support through a team of 6 regionally-based Finance Consultants who provide customized technical assistance and financial management services to school districts depending on their financial designation.

The five indicators include:

- Fund Balance to Revenue Ratio - Divide the ending fund balances by the revenues for the educational, operations and maintenance, transportation and working cash funds.

- Expenditure to Revenue Ratio – Divide the expenditures by the revenues for the educational, operations and maintenance, and transportation funds.

- Days Cash on Hand - Divide cash on hand by a ratio of expenditures divided by 360.

- Percent of Short-Term Borrowing Remaining – Subtract the percent of Tax Anticipation Warrants outstanding from 100%.

- Percent of Long-Term Debt Margin Remaining – The amount of long-term debt compared to the amount permitted by law.

The overall score of each district are determined by considering various statistical tests, including ranges and weights for each indicator. Additionally, each district will be given an opportunity to note aberrations and put explanatory comments in their profile.

**Analysis and Implications for Policy, Budget, Legislative Action and Communications**

The School District Financial Profile is ready for use as an internal management tool to analyze FY02 data from the Annual Financial Reports and to determine the financial condition of schools in Illinois for release in the spring of 2003. It
offers expanded measures and a comprehensive system of support to assist in improving the financial condition of school districts in Illinois.

The new indicators of the School District Financial Profile will provide a more accurate description of financial problems and trends and encourage better financial practices in school districts.

**Superintendents Recommendation**

The Superintendent recommends the State Board approve the new School District Profile and Designation System including the ranges and weightings which establish the new School District Financial Designation System.

**Next Steps**

Staff will proceed to incorporate FY02 AFR data into the proposed School District Financial Profile for use in the new designations in the early spring of 2003. This data will be made available to appropriate school personnel as soon as possible for their use. Additional work will continue to make the system more compatible for general public use over the internet.