TO: Illinois State Board of Education

FROM: Randy J. Dunn, Interim Superintendent
Linda Riley Mitchell, Chief Financial Officer

Agenda Topic: Action Item: Approval of the 2005 School District Financial Profile Designation Lists based on FY04 Data

Materials: Designation Lists – Alphabetical Order, Designation Order and District Order

Staff Contact(s): Linda Riley Mitchell, Deborah Vespa

Purpose of Agenda Item
To provide the Board the 2005 School District Financial Profile designations based on FY04 data. To present information to the Board on the financial condition of school districts, the changes made to address issues associated with how the Financial Profile documents the financial condition of school districts and the services and research activities of the agency associated with the financial condition of schools.

Expected Outcome(s) of Agenda Item
The Board will approve the 2005 School District Financial Profile designation lists. The Board will understand the services to be provided through the School Business and Support Service Division’s Regional Financial Consultants.

Results of the Financial Profile
To be provided on Tuesday April 19, 2005.

Background Information
Section 1A-8 of the School Code states, “To promote the financial integrity of school districts, the State Board of Education shall be provided the necessary powers to promote sound financial management and continue operation of the public schools.”

The School District Financial Profile was designed to better illustrate information on school district finances and to establish financial designation lists for all school districts. The designation categories in descending order are Financial Recognition, Financial Review, Financial Early Warning, and Financial Watch.

School finance is a complicated topic. Given this complexity and the financial and accounting differences among the 888 Illinois school districts, there will likely always be issues with how finances are characterized. Some districts claim that they are ranked higher than they should be. Other districts claim they are ranked lower than they should be.

While the score of any particular district can be argued, the overall view it provides of the financial condition of school districts is important. As the Financial Profile is a “snap shot” in time of a district’s finances, the data alone cannot give a holistic view of the districts’ financial picture and the districts’ comments are viewed as a crucial component of the Financial Profile.

The overall purpose of the Financial Profile is to identify school districts with financial trends that could lead to financial crisis if they are not addressed. The goal is to not only characterize the financial situation of a school district but also to provide some consistent basic information that can be used, in addition to other more detailed information developed by the school district, to help the local community understand the situation and take appropriate local decisions necessary to return to and maintain financial health.

Superintendent’s Recommendation
The Superintendent recommends that the Board adopt the following motion:

I move that the Illinois State Board of Education approve the 2005 School District Financial Profile designations based on school districts’ 2004 annual financial data.

Next Steps
Continue to review any issues that may still exist with school districts and take all appropriate steps to adjust and improve the way data is gathered and used and the score is calculated.