ILLINOIS STATE BOARD OF EDUCATION

Finance & Audit Committee of the Whole
March 16, 2011
12:30 p.m.
(This meeting will begin immediately following closed session)
All open meetings will be audio cast on the Internet at: www.isbe.net

AGENDA (timeframes are estimated for planning purposes)

I. Roll Call

II. Board Member Participation by Other Means

III. Public Participation (15 minutes maximum) 12:30 – 12:45 p.m.

IV. *Contracts & Grants Over $1 Million 12:45 – 12:55
   A. Low-Cost Laptop Grant Program (Marica Cullen) (pp. 2-5)

V. *School District Financial Profiles (Deb Vespa) (pp. 6-9) 12:55 – 1:15 p.m.

VI. *Special Education Expenditures & Receipts vs. Revenue Report (pp. 10-13) 1:15 – 1:35 p.m.
   (Deb Vespa)

VII. Cairo Financial Status Update (Deb Vespa) (pp. 14-17) 1:35 – 1:50 p.m.

VIII. State Board of Education Budget Update 1:50 – 2:00 p.m.
   (Superintendent Koch, Linda Mitchell, Scott Taylor)

IX. Committee Agenda Planning/Additional Items

X. Adjourn

* Items listed with an asterisk (*) will be discussed in committee and action may be taken in the plenary session.
TO: Illinois State Board of Education
FROM: Christopher A. Koch, Ed.D., State Superintendent of Education
Connie Wise, Ph.D., Assistant Superintendent

Agenda Topic: FY11 Children’s Low-cost Laptop Program Grants Exceeding $1 Million

Materials: Appendix A, Awarded Districts by Region

Staff Contact(s): Marica Cullen, Division Administrator for Curriculum & Instruction

Purpose of Agenda Item
The Division of Curriculum & Instruction requests the Board to authorize the State Superintendent to enter into a grant agreement in excess of $1 million with Chicago Public Schools for the Children’s Low-cost Laptop Program in Fiscal Year (FY) 2011.

Relationship to/Implications for the State Board’s Strategic Plan
The Children’s Low-cost Laptop grants will support the following Board Goal:

GOAL 1: Every student will demonstrate academic achievement and be prepared for success after high school.

Expected Outcome(s) of Agenda Item
This agenda item will be discussed in the Finance and Audit committee and then called for a vote during the March Plenary Session. It is expected that the Board will authorize the State Superintendent to execute the grant agreement with Chicago Public Schools.

Background Information
The Children’s Low-cost Laptop Act [105 ILCS 65/5] authorizes a two-year pilot program designed to provide a low-cost laptop computer to each student, teacher, and relevant administrator in a participating school and implement the use of educational software and computer skills training at the elementary grade levels (i.e., grades 3 through 8) in order to improve academic achievement and other school performance measures. For the purpose of this program, a “low-cost laptop” means a portable personal computing device suitable for use among primary school-aged children, under $400 in initial cost or with a financed cost of under $250 per year. Schools will be selected pursuant to Section 20 of the Illinois Compiled Statutes [105 ILCS 65/20] whereby not more than 300 schools will be selected for participation in the program and at least one-third of the participating students will be located in the City of Chicago; at least one-third will be located in the area that makes up the counties of DuPage, Kane, Lake, McHenry, Will and that portion of Cook County located outside of the City of Chicago; and at least one-third will be located in the remainder of the State.

The program focuses on schools that serve a substantial percentage of students from low-income families, are in Academic Early Warning or Academic Watch status as a result of low student achievement, and have limited access to laptop technology resources. The program is similar in scope to the Technology Immersion Pilot Program (TIPP), which was funded from...
2006 to August 31, 2010 and has now expired. The Children’s Low-cost Laptop Program is also a pilot project that is, by statute, scheduled to expire on August 31, 2012. The scope of the Children’s Low-cost Laptop Program is also similar to that of TIPP with the exceptions of grade levels served and the equipment acquisition process. Applicants may in response to this RFP elect to apply on behalf of an entire school or for a particular grade or classroom or classrooms.

Proposed programs must focus on the pedagogical shift for teachers and students in their daily teaching and learning practices. As part of the proposal, applicants are required to submit evidence of the district’s readiness for teachers to implement instructional change that optimizes teachable moments, explores content in greater depth, and relates to real-world and real-time issues and problems. Real-time issues and problems should engage teachers and students in teaching and learning activities which allow students to use critical and analytical thinking skills, synthesize data, and find and present information in useful ways.

A request for proposals (RFP) was released in November 2010. Proposals were reviewed and evaluated according to the criteria established in the RFP. Nine (9) proposals were recommended by reviewers to receive funding. Of these, Chicago Public Schools is the only recommended award in excess of $1 million.

The total amount of funding for LEAs over the term of the grant is $9 million. Under the statutory requirements of Section 20 of the Illinois Compiled Statues [105 ILCS 65/20], ISBE must select applicants in such a way as to ensure that at least one-third of the participating students are located in the City of Chicago; at least one-third are located in the area that makes up the counties of DuPage, Kane, Lake, McHenry, Will and that portion of Cook County located outside of the City of Chicago; and at least one one-third are located in the remainder of the State.

**Effectiveness**

Results of evaluation or effectiveness indicators: The Children’s Low-cost Laptop Program is a new grant program. However, the program is similar in scope to the Technology Immersion Pilot Program (TIPP), which was funded from 2006 to August 31, 2010 and has now expired. Year One and Year Two evaluation reports from the TIPP program are available at:

Metis Associates Year One Report - April 2008
http://www.isbe.net/curriculum/elearning/pdf/tipp_yr1_rpt.pdf

Metis Associates Year Two Report - June 2008
http://www.isbe.net/curriculum/elearning/pdf/tipp_yr2_rpt.pdf

In an effort to measure the effect of the program, the school board of each participating school will be required to submit an annual progress report for each year that the school is participating in the pilot project to ISBE. To assist districts in meeting this statutory requirement, grant recipients will participate in a statewide evaluation conducted by an independent external evaluator. Data collection will include, but is not limited to, the elements listed below. Further information will be provided to actual grant recipients.

- Performance on the Illinois Standards Achievement Test (ISAT);
- School costs;
- Attendance rates;
- Teacher performance and retention;
- Parental involvement in education;
- Community support for the school; and
- Student technology proficiency.
Analysis and Implications for Policy, Budget, Legislative Action and Communications
Policy Implications: There is concern regarding the use of state funds for the purchase of technology during a time of fiscal crisis when staff positions are being reduced in many districts. In addition, the lack of information regarding the technical specifications of equipment needed to administer the new online state assessments has many educators concerned if the purchases made with the Children's Low-cost Laptop Program funding will be eligible for use with future online assessments. There is also concern in the field that the state technology initiative does not include high school age students.

Budget Implications: The Children's Low-cost Laptop Program is funded with state Build Illinois bond funds.

Legislative Action: None

Communication: None

Superintendent's Recommendation
I recommend that the following motion be adopted:

The Board hereby authorizes the State Superintendent to enter into a grant agreement with Chicago Public Schools for receipt of the Children's Low-cost Laptop Program grant in an amount to exceed $1 million over the term of the grant.

Next Steps
Upon Board authorization, Agency staff will prepare the grant award for the State Superintendent's approval. The grant agreement will be executed accordingly.
## Children’s Low-cost Laptop Program Grant Awards

### Awarded Districts by Region

<table>
<thead>
<tr>
<th>Recommended for Funding</th>
<th>Region</th>
<th>Award Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago Public School District 299</td>
<td>1</td>
<td>$ 3,000,000</td>
</tr>
<tr>
<td>Palatine Community Consolidated School District 15</td>
<td>2</td>
<td>$ 466,730</td>
</tr>
<tr>
<td>Centralia City Schools 135</td>
<td>3</td>
<td>$ 166,380</td>
</tr>
<tr>
<td>Meridian Community Unit School District 101</td>
<td>3</td>
<td>$ 308,193</td>
</tr>
<tr>
<td>Springfield School District 186</td>
<td>3</td>
<td>$ 335,910</td>
</tr>
<tr>
<td>Riverton Community Unit School District 14</td>
<td>3</td>
<td>$ 389,954</td>
</tr>
<tr>
<td>Bond County Community Unit School District 2</td>
<td>3</td>
<td>$ 228,750</td>
</tr>
<tr>
<td>Champaign Community Unit School District 4</td>
<td>3</td>
<td>$ 275,250</td>
</tr>
<tr>
<td>Mount Vernon City School District 80</td>
<td>3</td>
<td>$ 658,500</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td><strong>$ 5,829,667</strong></td>
</tr>
</tbody>
</table>
ILLINOIS STATE BOARD OF EDUCATION MEETING  
March 16-17, 2011  

TO: Illinois State Board of Education  
FROM: Christopher A. Koch, Ed.D., State Superintendent of Education  
Linda Riley Mitchell, Chief Financial Officer  

Agenda Topic: Review of Annual Financial Profile  

Materials: Under Separate Cover  
- Fiscal Year 2011 School District Financial Profile Scores, based upon FY10 Annual Financial Reports  
- Analysis of Report Results (including the Financial Guidance book describing terms and calculations)  

Staff Contact(s): Deb Vespa  

Purpose of Agenda Item  
To provide the Board information regarding the financial condition of Illinois’ school districts based upon the 2011 School District Financial Profile designations from Fiscal Year 2010 data and to have the Board review and approve the Financial Watch List.  

Relationship to/Implications for the State Board’s Strategic Plan  
The Financial Profile assists in assessing the financial position of the school districts. Districts in sound financial standing are better able to accomplish strategic goals as resources can be allocated towards such purposes.  

Expected Outcome(s) of Agenda Item  
The expected outcome is for the Board to approve the 2011 School District Financial Profile designation scores and Financial Watch List.  

Background Information  
Section 1A-8 of the School Code states, “To promote the financial integrity of school district, the State Board of Education shall be provided the necessary powers to promote sound financial managements and continue operation of the public schools.” The Financial Profile assists State Board staff, district administrators, and school boards in promoting sound financial management. The School District Financial Profile was designed to review the status of school districts using categories to designate the financial position of all districts. The designation categories are: Financial Recognition, Financial Review, Financial Early Warning, and Financial Watch with Financial Recognition being the highest ranking.  

This is the ninth year that the Financial Profile has been used to evaluate districts. Beginning with the 2004 Financial Profile through the 2008 Financial Profile, the number of districts in Financial Recognition status has increased each year. In 2009 (before revenue adjustments) the number of districts in Financial Recognition decreased to 550 from the previous year’s 590. For this year’s 2011 Financial Profile, the number of districts in Financial Recognition increased to 571 (65.8% of the districts). The number of Financial Watch districts decreased to 32 compared to 39 for last year.
Many districts have inquired about the Financial Profile results this year since some of the mandated categorical payments were delayed. Although the State Board vouched these payments, the Comptroller made the second, third and fourth quarter payments on or after June 30. Since most districts are on a cash basis of accounting, these payments were not recognized until Fiscal Year 2011.

Section 1A-8 of The School Code [105 ILCS 1A-8] mandates that the Financial Profile calculations shall incorporate delayed State Payments for General State Aid and Mandated Categoricals. Because of this, the Financial Profile was calculated in two ways:

1. utilizing the standard calculation methodology and
2. revising the calculation to add late payments to the districts’ fund balances, revenue, and cash balances, thus removing the effect of the delayed payments.

For cash basis school districts, the second calculation enhanced the Revenue to Fund Balance Ratio, Expenditure to Revenue Ratio, and Days Cash on Hand. For accrual basis districts dependent upon the amount of delayed payments that were recognized in the AFR determined which indicators were adjusted. For districts that included all delayed payments through December 31, 2010, only the Days Cash on Hand Ratio was revised. For districts that included delayed payments through August 31, 2010, Days Cash on Hand was adjusted for the total amount of the delayed payments. Then the Revenue to Fund Balance Ratio and Expenditure to Revenue Ratio was adjusted for the payments received after August 31, 2010.

Issues in compiling the 2011 Financial Profile:

- Bluford Community Consolidated School District 114 and Bellwood School District 88 have not submitted an AFR. Their designated score is Financial Watch and will remain as such even when the AFRs are received. These districts are pending recognition until the AFRs are received.

- Eswood Community Consolidated School District 269 and Steward Elementary School District 220 had their audits completed by a non-licensed auditor and as such have not submitted an AFR. ISBE staff requested that they submit a new AFR once their new audits have been completed. Currently, these two districts are designated as Financial Watch. Eswood School District has requested that their designation be revised once their new audit is received. They expect this to be in May 2011. They were informed that with the State Board’s approval, their designation could be revised once the audit is received. This process would be the same for Steward School District.

- For districts that report on a modified accrual basis, there was an inconsistency in the AFRs. Some auditors recognized delayed State payments through the customary sixty day period, August 31, 2010. Other auditors recognized the delayed State payments through December 31, 2010. To make the required adjustments to the Profile indicators, staff was required to review the notes to the AFR and contact the auditors. Last year ISBE staff conducted four auditing workshops throughout the state. The accounting of the delayed payments was discussed in these workshops.

  To further assist with the inconsistency, this will be discussed again at the workshops to be conducted this spring. Again the auditors will be informed that if the State fiscal year is extended, all delayed payments made during the extended time should be recognized on the FY 2011 AFR.
As another precaution, a question will be added to the Auditor's Questionnaire in the AFR specifically asking the amount of delayed payments accounted for in FY 2011 AFR.

Besides differences in the Financial Watch (the lowest category), there were differences in other categories. Both scores and designations are reflected in the Financial Profile report.

Results of the Financial Profile:

<table>
<thead>
<tr>
<th></th>
<th>FY 10 Financial Profile Based on FY 09 Revised Data</th>
<th>FY 11 Financial Profile Based on FY 10 Revised Data</th>
<th>FY 11 Financial Profile Based on FY 10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
<td>#</td>
</tr>
<tr>
<td>Financial Recognition</td>
<td>578</td>
<td>66.5%</td>
<td>604</td>
</tr>
<tr>
<td>Financial Review</td>
<td>196</td>
<td>22.6%</td>
<td>188</td>
</tr>
<tr>
<td>Financial Early Warning</td>
<td>66</td>
<td>7.6%</td>
<td>52</td>
</tr>
<tr>
<td>Financial Watch</td>
<td>29</td>
<td>3.3%</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>869</td>
<td>100.0%</td>
<td>868</td>
</tr>
</tbody>
</table>

The difference in the number of districts in the Financial Watch category using the standard calculation compared to the revised methodology was a decrease of 0.9% as shown below:

- 3.7% (32 school districts) compared to
- 2.8% (24 school districts) using revised method.

Using the standard calculation methodology, 3.8% fewer districts achieved Financial Recognition as shown below:

- 65.8% (571 school districts) of which 152 received a perfect 4.0 score compared to
- 69.6% (604 school districts) of which 165 received a perfect 4.0 score using the revised method.

As noted below, the Superintendent is recommending that the revised methodology be used for the 2011 School District Financial Profile designations.

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

Policy Implications: By the Board’s approval of the Financial Profile, they are also approving the districts categorized within the Financial Watch List. These districts will be designated as the districts ISBE will be monitoring closely for the next year.

Budget Implications: ISBE Staff time and traveling to monitored school districts.

Legislative Action: No legislative action is required at this time.
Communication: School Districts within the financial recognition category will receive a certificate.

**Pros and Cons of Various Actions**

Con: The Financial Profile is a snapshot in time and reflective of the district’s financial condition on June 30 of a specific fiscal year. To assess a district’s true financial condition, the Financial Profile must be reviewed along with other reviews of the district’s finances to assess the district’s financial status.

Pro: By approving the Financial Watch List as designated by the Financial Profile, ISBE staff can begin to utilize the Financial Profile tool along with other reviews of a district’s finances to assess the district’s financial status.

**Superintendent’s Recommendation**

I recommend that the following motion be adopted:

The Illinois State Board of Education hereby approves the financial designations of school districts as set forth in the Fiscal Year 2011 Financial Profile Scores, which have been calculated using the revised methodology with data from the districts’ Fiscal Year 2010 Annual Financial Reports and, furthermore, recognizes that the districts designated on the Financial Watch List are those so identified from the Fiscal Year 2011 Financial Profile calculations.

**Next Steps**

Continue to review and monitor school districts on the Financial Watch List for financial improvement or decline and to assess potential certification to the Board.

Distribute certificates of acknowledgment to school districts that obtained a Financial Profile designation of Financial Recognition.
TO: Illinois State Board of Education
FROM: Christopher A. Koch, Ed.D., State Superintendent of Education
Linda Riley Mitchell, Chief Financial Officer

Agenda Topic: Report of School District Special Education Expenditures and Receipts

Annual Report (Alphabetical and Descending Order) (under separate cover)

Staff Contact(s): Deb Vespa

Purpose of Agenda Item
Section 2-3.145 [105 ILCS 2-3.145] mandates that the State Board of Education issue an annual report to the General Assembly and Governor identifying each school district’s special education expenditures, receipts, and net special education expenditures over receipts. This report is due May 1st of each year.

Relationship to/Implications for the State Board’s Strategic Plan
This is a required mandate for the Illinois State Board of Education

Expected Outcome(s) of Agenda Item
Approval of the report to be sent to the General Assembly and Governor

Background Information
Section 2-3.145 [105 ILCS 2-3.145] mandates that the Illinois State Board of Education submit to the General Assembly and Governor an annual report that designates school districts’ special education expenditures, receipts, and net special education expenditures over receipts. The receipts are to be specified as local, state, and federal. The calculations utilize limited data the Agency receives on districts’ Annual Financial Reports (AFR), Pupil Transportation Claims, Fall Housing Reports/Student Information System (SIS), and the Funding and Child Tracking System (FACTS) and is not a reflection of school districts’ total special education expenditures and receipts.

As we began to implement this legislation in FY 2008, there was considerable discussion of the limitations of presenting these calculations and other information.

The following limitations were discussed:

- The exact amount of time devoted to special education programs is not available. While the FACTS Report collects each identified special education student’s enrollment in special education, the Educational Environment (EE) for each student defines a range of time the student is receiving regular services. For example a student with an EE code of 02 is defined as “40% - 79% inside the regular classroom.” For such students, ISBE worked with external education entity stakeholders and determined that they would be counted as sixty percent (60%) special education.

- For Attendance and Social Work Services, Psychological Services and Other Support Services – Pupil, the percentage of time dedicated to special education would be difficult
to determine. Therefore, it was agreed that expenditures would be allocated to special education as follows:
  o Attendance and Social Work Services—90%
  o Psychological Services—90%, and
  o Other Support Services—5%

- Chicago School District 299 receives its special education state reimbursement in a block grant. Each year, the block grant revenue is reviewed and the percentage dedicated to special education is determined and utilized within their calculations.

These assumptions were used in the FY 2008, FY 2009, and FY 2010 reports and again for the FY 2011 report.

In past years, the methodology used was reviewed and discussed with representative of the following stakeholders:
  • Belleville Area Special Education Cooperative (BASSC)
  • Lockport Area Special Education Cooperative
  • North Suburban Special Education District (NSSED)
  • West Central Illinois Special Education Cooperative (WCISEC)
  • Ed-RED (Education, Research, Development)
  • Illinois Alliance of Administrators of Special Education (IAASE)
  • Illinois Association of School Business Officials (IASBO)
  • Large Unit School Districts Association (LUDA)
  • South Cooperative Organization for Public Education (SCOPE/LEND)
  • HJR 24 Special Education Funding Task Force

Participants stated that he/she understood the calculations and thought the report was a great starting point. They agreed that we should proceed with the report as it is. However, stakeholders had two suggestions for future years. First, ISBE should consider revising the FACTS Report so that it designates the specific amount of time each student is in special education as identified on their IEP. Second, the Part 100 Administrative Rules for school district accounting should be amended to include specific functions for special education directors and occupational/physical therapy expenditures.

The table below designates the highest ten schools. As conveyed in the report, the City of Chicago School District 299 has the highest amount of special education expenditures over receipts.

<table>
<thead>
<tr>
<th>Highest Ten:</th>
<th>County</th>
<th>$ (in the Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Chicago School District 299</td>
<td>Cook</td>
<td>$35.6</td>
</tr>
<tr>
<td>Indian Prairie Comm. Unit School District 204</td>
<td>DuPage</td>
<td>$28.3</td>
</tr>
<tr>
<td>Valley View Comm. Unit School District 365U</td>
<td>Will</td>
<td>$22.4</td>
</tr>
<tr>
<td>Plainfield School District 202</td>
<td>Will</td>
<td>$22.1</td>
</tr>
<tr>
<td>Rockford School District 205</td>
<td>Winnebago</td>
<td>$20.2</td>
</tr>
<tr>
<td>Township H.S. District 214 (Arlington Heights)</td>
<td>Cook</td>
<td>$19.0</td>
</tr>
<tr>
<td>Schaumburg Comm. Cons. School District 54</td>
<td>Cook</td>
<td>$15.8</td>
</tr>
<tr>
<td>Oswego Community Unit School District 308</td>
<td>Kendall</td>
<td>$15.7</td>
</tr>
<tr>
<td>Township High School District 211(Palatine)</td>
<td>Cook</td>
<td>$15.4</td>
</tr>
<tr>
<td>Waukegan Community Unit School District 60</td>
<td>Lake</td>
<td>$15.2</td>
</tr>
</tbody>
</table>
The ten lowest school districts are as follows:

<table>
<thead>
<tr>
<th>Lowest Ten:</th>
<th>County</th>
<th>$ (in the Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riverdale School District 14</td>
<td>Whiteside</td>
<td>$11.4</td>
</tr>
<tr>
<td>Damiansville School District 62</td>
<td>Clinton</td>
<td>$11.2</td>
</tr>
<tr>
<td>St. Libory Consolidated School District 30</td>
<td>St. Clair</td>
<td>$10.8</td>
</tr>
<tr>
<td>Rankin Community School District 98</td>
<td>Tazewell</td>
<td>$7.3</td>
</tr>
<tr>
<td>Akin Community Consolidated School District 91</td>
<td>Franklin</td>
<td>$6.8</td>
</tr>
<tr>
<td>Geoff Comm. Consolidated School District 14</td>
<td>Wayne</td>
<td>$5.9</td>
</tr>
<tr>
<td>Hoyleton Cons. School District 29</td>
<td>Washington</td>
<td>$4.1</td>
</tr>
<tr>
<td>Gifford Comm. Consolidated School District 188</td>
<td>Champaign</td>
<td>$1.1</td>
</tr>
<tr>
<td>Scott-Morgan Community Unit School District 2</td>
<td>Scott</td>
<td>$0.8</td>
</tr>
<tr>
<td>Irvington Community Consolidated District 11</td>
<td>Washington</td>
<td>$0.8</td>
</tr>
</tbody>
</table>

There were 49 school districts that realized more special education revenue than incurred expenditures. This could be due to the timing of expenditures and receipts, the number of students served from one year to the next, or the accounting of expenditures and receipts within the Annual Financial Report.

Excluding the City of Chicago School District 299, the average amount by which the expenditures exceed receipts is $1.6 million.

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

Policy Implications: As reported last year, this report is based upon limited data received by ISBE.

Budget Implications: Legislation has been previously introduced which would allow school districts to levy a tax when special education expenditures are greater than the revenue received. Data from this report could be used as a tool by people advocating for this legislation.

Legislative Action: None needed at this time

Communication: The report will be submitted to the General Assembly and Governor by May 1, 2011. It will be posted on the Illinois State Board of Education website.

Pros and Cons of Various Actions

This report demonstrates the high costs that school districts incur to provide necessary special education services to their students. However, as stated above, the calculations are limited to the data collected by the Agency. They should not be perceived as reflecting the exact amount of “unreimbursed” special education costs incurred by each school district.

Superintendent’s Recommendation

I recommend that the following motion be adopted:

The Board hereby approves the 2011 Annual Report of Special education Receipts and Expenditures and directs the State Superintendent to forward the report to the General Assembly and Governor by May 1, 2011.

Next Steps

The report will be forwarded to the General Assembly and Governor and placed on the Illinois State Board of Education website.
Sec. 2-3.145. Special education expenditure and receipt report. The State Board of Education shall issue an annual report to the General Assembly and Governor identifying each school district's special education expenditures; receipts received from State, federal, and local sources; and net special education expenditures over receipts received, if applicable. Expenditures and receipts shall be calculated in a manner specified by the State Board using data obtained from the Annual Financial Report, the Funding and Child Tracking System, and district enrollment information. This report must be issued on or before May 1, 2008 and on or before each May 1 thereafter. (Source: P.A. 95-555, eff. 8-30-07; 95-876, eff. 8-21-08.)
TO: Illinois State Board of Education
FROM: Christopher A. Koch, Ed.D., State Superintendent of Education
Linda Riley Mitchell, Chief Financial Officer

Agenda Topic: Cairo School District (USD 1)
Materials: Cairo Facts Report
Staff Contact(s): Deb Vespa

Purpose of Agenda Item
Update the Board on the financial condition of the Cairo School District

Relationship to/Implications for the State Board's Strategic Plan
The financial condition of school districts is linked to all three goals within the Board’s Strategic Plan. If districts are not financially solvent, they will not have the resources necessary to accomplish the goals.

Expected Outcome(s) of Agenda Item
Update the Board

Background Information
Cairo School District is a 445 student unit district of located in Alexander County at the southernmost tip of Illinois. Once a booming river town, the community has experienced major economic decline in recent decades. The population peaked at 15,203 in 1920. By 1960, it had declined to 9,348. In 2010, it was 2,831. Cairo income and property values are shown below:

<table>
<thead>
<tr>
<th></th>
<th>Cairo</th>
<th>Illinois</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Median Household Income</td>
<td>$21,369</td>
<td>$53,966</td>
</tr>
<tr>
<td>Estimated Median Home/Condo Value</td>
<td>$29,260</td>
<td>$202,200</td>
</tr>
</tbody>
</table>

Aside from governmental offices and the school district, the town has one store, one gas station and a few other small businesses. Many buildings are abandoned and boarded up.

In February, 2003, ISBE established a Financial Oversight Panel (FOP) for the district due to deficit spending and limited fund balances. Prolonged union negotiations and discord had resulted in a 17 day strike. After the FOP was established, the district initially experienced surpluses. Then, there were deficits in FY 2008 and FY 2009. There was a surplus of $164,173 in FY 2010. Due to these surpluses and a $925,000 loan from the state, operating fund balances were $2.7 million at the end of FY 2010. The district has two years left to repay the state loan.

To achieve these surpluses, the FOP worked with the local board to consolidate school facilities and reduce staffing levels in light of declining enrollment:
• One elementary school was closed and a portion of the junior high school building was rented to Shawnee College.
• The district sold a house that had served as the district’s administrative offices.
• Pre-K students and district administration were moved to the junior high school.
• The 7th and 8th grade classes were moved to the high school.
• Over the years, many positions have been eliminated. Last year, another 22 positions were eliminated saving $367,764.
• The district has had Recognition status in the ISBE annual financial profile for four of the last six years.

However, many challenges remain:

• District enrollment continues to decline with 589 students in FY 2009. Today, there are only 445 – a 144 student decrease in just one year. In FY 2002, there were 905 students.
• The district’s EAV continues to decline. In FY 2009, it was $16.3 million. In FY 2000, the EAV was $20.6 million.
• The low income percentage is 100%.
• The Superintendent is retiring at the end of this school year. It will be difficult to attract and retain a competent, experienced superintendent.
• Four positions on the local board are up for election.
• A deficit of $244,000 is projected for FY 2011. This is due primarily to decreasing revenues and delayed state payments. Currently, $481,511 is due to Cairo from the state in the Comptroller’s backlog.

In FY 2012, further declines in revenues are anticipated:

• The district will no longer receive $370,000 in federal American Reinvestment and Recovery Act Ed Jobs funding. Even with these funds, the district still projected a $244,000 deficit in FY 2011.
• General State Aid is projected to decrease by $280,000 due to declines in average daily attendance and enrollment. This projection includes a modest increase in the Foundation Level of $60.
• Federal revenues are also likely to decrease.
• If the EAV continues to decrease, local tax dollars will also decline. Cairo is already among the lowest EAV districts in the state and has one of the highest tax rates.

<table>
<thead>
<tr>
<th></th>
<th>Dollars</th>
<th>Ranking within Unit Districts (391)</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAV per Pupil</td>
<td>$28,858</td>
<td>382 (lowest)</td>
<td>$266,163</td>
</tr>
<tr>
<td>Total Tax Rate</td>
<td>$6.9471</td>
<td>4 (highest)</td>
<td></td>
</tr>
<tr>
<td>Low Income Percentage</td>
<td>100%</td>
<td></td>
<td>45.4%</td>
</tr>
</tbody>
</table>
To attempt to address these challenges, the FOP held a joint meeting with the local school board on February 28, 2010. At that meeting they discussed the following:

- Reviewing staffing needs. Additional staffing reductions may be needed.
- Moving the 6th grade students and the district administration to the Junior/Senior High School’s “green” hall. This section of the building has a separate entrance so the 6th grade students would not be required to interact with the older students.
- Moving the Pre-K. students to the elementary school. This would allow for the closure of the old Junior High School Building. Alternatively, Shawnee College may rent the additional space.
- Postponing the School Construction Grant and reassessing the project. Because of the age of the elementary schools, the district is entitled to a School Construction Grant. The district is considering building a small facility adjacent to the high school, the newest of all the schools.) Then, Pre-K through 12th grade could all be housed at a single location. Separate entrances would be utilized for the younger students. This would allow the older elementary school to be closed. The district would be required to pay 25% of the project cost. This could be difficult since they have very little debt margin remaining. They attempted to issue alternate/funding bonds and were petitioned. If they proceed with the school construction project, most likely fund balances will need to be utilized for the local match.

In summary, there are many persistent issues with the school district’s financial position. With the superintendent’s retirement and many new local board members there is some uncertainty regarding district management. ISBE staff will continue to work with the district and the FOP. The FOP will be involved in the selection of the new superintendent and will need to work with a local board with many new members. Given the rapidly declining population and the relatively small enrollment of 445, the district may even be a candidate for consolidation in the future. The district experienced a 144 student or 24% reduction in enrollment last year alone.

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

Policy Implications: None

Budget Implications: None for ISBE

Legislative Action: None required

Communication: None

**Pros and Cons of Various Actions**

Since this is an update, no action is required.

**Superintendent’s Recommendation**

No recommendations necessary

**Next Steps**

Staff will continue to work with the FOP and the local Cairo USD 1 Board.
**Cairo USD 1**

**Superintendent:** Dr. Leotis D. Swopes  
**Number of Students:** 589  
**Number of Teachers:** 52  
**County:** Alexander  
**Average Teacher Salary:** $47,629  
**Average Administrator Salary:** $81,518  
**Low Income Rate:** 100.0%  
**IEP:** 19.2%  
**School Type:** Unit District  
**State Tax Cap School District:** NO  
**Average Administrator Salary:** $109,091  
**Low Income Rate:** 45.4%  
**IEP:** 13.1%  

**Overall Performance - All State Tests:**  
- **2008 - 2009:** 52.0%  
- **2009 - 2010:** 53.7%  
- **Kindergarten:** First 16.3%  
- **Third:** 20.0%  
- **Sixth:** 10.3%  
- **Eighth:** 6.9%  
- **High School:** 9.7%  

**Revenue Sources:**  
- **Local:** 18.8%  
- **State:** 53.8%  

**2009 Tax Rates:**  
- **Education Fund:** $1.842  
- **Operation & Maint. Fund:** $0.491  
- **Transportation Fund:** $0.200  
- **Max. Rates:** $1.842  

**EAV:**  
- **2008: $16,285,178**  
- **2009:**  

**Profile Score:**  
- **2002:** 3.15  
- **2003:** 3.60  
- **2004:** 3.60  
- **2005:** 3.25  
- **2006:** 3.25  
- **2007:** 3.70  

**Outstanding Debt:**  
- **Short-Term Debt:**  
  - **2004:** 2,310,000  
  - **2005:** 2,125,000  
  - **2006:** 1,930,000  
  - **2007:** 1,725,000  
  - **2008:** 1,510,000  
  - **2009:** 1,648,496  
  - **2010:** 1,474,240  
- **Long-Term Debt Limit:**  
  - **2004:** 390,659  
  - **2005:** 376,194  
  - **2006:** 365,334  
  - **2007:** 328,749  
  - **2008:** 350,686  
- **Short-Term Debt Limit:**  
  - **2004:** 2,488,020  
  - **2005:** 2,395,895  
  - **2006:** 2,326,730  
  - **2007:** 2,155,422  
  - **2008:** 2,137,201  
  - **2009:** 2,093,724  
  - **2010:** 2,247,355  

**Profile Designation:**  
- **2011:** REVIEW  
- **2012:** RECOGNITION  
- **2013:** RECOGNITION  
- **2014:** REVIEW  
- **2015:** REVIEW  
- **2016:** RECOGNITION

---

**SUMMARY OF OPERATING FUNDS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td>653,660</td>
<td>1,489,343</td>
<td>2,388,468</td>
<td>2,404,169</td>
<td>2,985,376</td>
<td>2,769,165</td>
<td>2,589,324</td>
<td>2,754,956</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>8,247,009</td>
<td>8,646,971</td>
<td>8,511,761</td>
<td>8,694,766</td>
<td>8,011,300</td>
<td>7,342,591</td>
<td>7,948,851</td>
<td>7,791,712</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td>7,425,498</td>
<td>7,747,846</td>
<td>8,496,060</td>
<td>8,113,559</td>
<td>8,227,511</td>
<td>7,494,232</td>
<td>7,784,678</td>
<td>8,036,051</td>
</tr>
<tr>
<td><strong>Results of Operation</strong></td>
<td>821,511</td>
<td>899,125</td>
<td>15,701</td>
<td>581,207</td>
<td>(216,211)</td>
<td>(151,641)</td>
<td>164,173</td>
<td>(244,339)</td>
</tr>
<tr>
<td><strong>Other Sources/Uses</strong></td>
<td>14,172</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(28,200)</td>
<td>1,459</td>
<td>0</td>
</tr>
<tr>
<td><strong>Other Changes to Fund Bal.</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Fund Balances</strong></td>
<td>1,489,343</td>
<td>2,388,468</td>
<td>2,404,169</td>
<td>2,985,376</td>
<td>2,769,165</td>
<td>2,589,324</td>
<td>2,754,956</td>
<td>2,510,617</td>
</tr>
</tbody>
</table>

**Note:** **DRP** indicates a deficit reduction plan would have been required.