Summary of School Districts’ ESTIMATED Fund Balances
The Illinois State Board of Education (ISBE) has been requested to provide current fund balance information for Illinois school districts. We have only limited information on the financial health and wherewithal of districts to begin to pay any new cost of the magnitude of pension payments. We would caution anyone reviewing the information that is available against jumping to any conclusions about the current status of any one Illinois school district as the events of the past year may have impacted the actual information provided one year ago and the estimates that were prepared by the districts a year ago for their Fiscal Year 2012 budgets.
There are a number of concerns:

- **The information is dated.**
- **Further declines in funding are anticipated.**
- **Districts have accumulated balances over many years.**
- **Districts use their balances to deal with delays in the receipt of state, local, and federal revenues.**
- **District financial outlook may be growing more dismal. Expenses are rising and revenues are declining.**
- **Funds available at year end may be intended to be used for the following years operations.**
- **Fund balances may be inflated by additional borrowing districts have incurred such as Working Cash Fund Bonds.**

These concerns are discussed below:

- **The information is dated.** Any actual information on the balances for the state’s more than 800 school districts is nearly one year old. Situations vary from district to district. ISBE was requested to provide current fund balance information for Illinois school districts. Districts do not report such balances routinely throughout the year. Instead, ISBE only receives school district financial information annually as of June 30, thus the only actual information we have available is from the preceding fiscal year ended June 30, 2011—now nearly one year old. Districts have only provided their budgets for the Fiscal Year ended June 30, 2012. This dated information reflects balances that will likely been impacted by the state’s reduction in General State Aid in Fiscal Year and the pro-ration that has occurred for the current year. Districts will not receive any of the last General State Aid Payment and only a portion of the second to last in the June 2012. There have also been reductions in transportation and other budget line items. Although personal services (salaries) cost and other expenses are rising state aid has declined.

- **Further declines in funding are anticipated** as we approach Fiscal Year 2013. Even a $200 million plus increase in General State Aid would still mean that the General State Aid would be prorated and districts would not receive June 2013 payments.

- **Districts have accumulated fund balances over many years.** A point in time measure from one year ago can not be used as a measure of any district’s wherewithal or ability to sustain an ongoing liability such as pension cost. The money accumulated may also be intended to be used for some other purpose. To use an analogy, a family having $20,000 cash saved to buy a new car at one
point in time year does not mean that they would be able to buy a new Ford every single year. The money may be intended for junior's college fund. Districts have accumulated these balances over time. Asking them to pay pensions from them would wipe out their entire accumulated balances from years of frugality. There could not be any reasonable expectation that school districts would be able to continue to make these payments year after year without significant increases in property taxes or other revenues.

• **Districts use fund balances to deal with delays in the receipt of revenues.** Payments from the state continue to be delayed. As of May 21, 2012, the Illinois Office of the Comptroller has a backlog of $556 million remaining unpaid to school districts. The estimated Fiscal Year 2013 fund balance was adjusted for these delayed state payments. In recent years, the state’s payments to school districts have been three to nine months late. As of June 30, 2011, forty-four percent (44.4%) of districts have less than six months cash on hand. Districts must be able to sustain their operations while they await funding from the state. Local property tax receipts have been delayed as much as three months in certain counties in recent years. Although federal funding has not been delayed, certain payments are made on a reimbursement basis. Districts must also be able to sustain the operations of federal programs to be reimburse in the following month.

• **District financial outlook may be growing more dismal. Expenses are rising and revenues are declining.** The information available is dated and does not reflect the following conditions prevalent in most school districts:
  
  o Expenditures such as salaries, maintenance, food services, and transportation costs are continuing to increase.
  o Local revenue may decrease as property values and EAV continues to decrease.
  o Due to decreasing EAVs, more PTELL districts are realizing taxes at the maximum rates and their revenue will begin to decrease even as CPI increases.

• **Funds available at year end may intended to be used for the following years operations.** Funds on hand at June 30 may be intended for coming disbursements. School major maintenance and other projects take place over the summer months. The state has extended the payment or lapse period by six months in recent years. Mandated categorical (MCAT) and other payments have been six months late in recent years.

**Balance Summary:**
Districts’ fund balances for Fiscal Year 2012 and 2013 may continue to decline due to additional impacts:

  o CPPRT is subtracted from the districts’ fund balances based upon the assumption that legislation may be passed to utilize CPPRT towards Teacher Retirement Payments (TRS).
Districts experienced a significant decline in state funding in Fiscal Year 2012. The impact of this decline on current balances is unknown at this time.

It is projected that state funding will continue to decrease for FY 2013. This report estimates the impact on fund balances if the appropriation for General State Aid decreases by $258 million.

The information provided does not reflect any reduction due to districts incurring a larger expense for TRS contributions.

In summary:

For Fiscal Year 2013 it is estimated:
- After adjusting for delayed State payments, deducting CPPRT, and decreasing the General State Aid appropriation by $258 million and without Working Cash, 128 districts would incur negative fund balances, that is, funds accumulated would be completely wiped out.
- When adjusting for delayed State Payments, deducting CPPRT and decreasing the General State Aid appropriation by $258 million and with Working Cash, 63 districts will incur negative fund balances.
- The average estimated school district fund balance without Working Cash is $5.7 million.
- 8 districts have a fund balance to expenditure ration that is less than 0%.
- Fiscal Year 2011 Days Cash on hand, as of June 30, 2011, forty-four percent (44.4%) of districts have less than six months cash on hand.
- 478 (or 55.6%) of school districts have days cash on hand that is equal or greater than 180 days.
- 284 (or 33%) of districts have days cash on hand that is at least 90 days but less than 180 days.
- 431 districts have a fund balance that is equal or greater than 50% of their expenditures.
- 219 districts have a fund balance to expenditure ratio of at least 33% but less than 50%.
- 210 districts have a fund balance to expenditure ratio that is less than 33% of their expenditures.