

State education board to seek \$653M increase in upcoming budget year - January 24, 2024

Written By Peter Hancock for Capital News Illinois and Distributed by IASA Online through Eye on Education Email Listserv at: <https://capitolnewsillinois.com/NEWS/state-education-board-to-seek-653m-increase-in-upcoming-budget-year>

Request includes \$35M for ‘newcomers,’ comes amid projected state budget deficit

SPRINGFIELD – The Illinois State Board of Education endorsed a budget request Wednesday that includes a \$653 million increase in funding for PreK-12 public schools.

It’s a request that lawmakers may find hard to accommodate in a year when the state faces a projected \$891 million budget deficit.

PreK-12 education spending currently makes up about one-fifth of the state’s entire General Revenue Fund budget. The proposed increase, if approved, would bring the state’s total GRF spending on public education to just over \$11 billion.

“We were pleased to hear that the board, even in a tight budget year, continues to prioritize necessary investments for districts and students across the state,” Gerson Ramirez, a lobbyist for the advocacy group Advance Illinois, said during the meeting.

The proposed budget includes a \$350 million increase in Evidence-Based Funding, the minimum increase required under a 2018 law that calls for gradually increasing the state’s share of the cost of public education while focusing new money on the state’s most poorly funded districts. That includes \$300 million for direct funding for the qualifying districts and \$50 million that is distributed in the form of property tax relief grants.

That law calls for continuing to increase funding each year until all districts are funded at 90 percent or more of their target “adequacy” level.

When the law first went into effect, nearly one in five school districts were being funded at or below 60 percent of their adequacy level. Today, no districts are being funded below the 60 percent level, but the state still has a long way to go before reaching the goal of having all districts at or above 90 percent of adequacy.

According to a report that accompanied the budget proposal, it would take another \$2.5 billion in EBF to reach that goal.

In addition to the increase in Evidence Based Funding, which districts use to enhance their general operating budgets, ISBE’s request includes about \$300 million in new or increased funding for several specific categories of school expenses.

The largest of those is a proposed \$112 million increase, or nearly 26 percent, for a program that reimburses school districts for the cost of providing transportation to students with disabilities. That would be enough to cover about 84 percent of the total cost for that category of transportation funding, which is roughly the same percentage the state was paying before the COVID-19 pandemic.

The package also calls for a \$75 million increase in early childhood education funding to continue Gov. JB Pritzker’s Smart Start Illinois initiative, a multi-year program that seeks to eliminate early childhood and preschool “deserts” for 3- and 4-year-old children by 2027.

That money would enable state-funded preschools to reach an additional 5,000 children next year. State officials estimate that total enrollment in those preschools will grow to nearly 114,000 in 2025, an increase of more than 17,000 since 2023.

ISBE's budget plan also calls for addressing the pressures some districts are facing due to the large number of international migrants arriving in Illinois.

Over the last two years, state officials estimate the number of "newcomers" in Illinois has grown nearly 85 percent, to about 36,200. Since August 2022, more than 34,000 migrants have been bused or flown to Illinois by order of Texas Gov. Greg Abbott after crossing that state's southern border.

Newcomers are defined as students age 3 through 21 who were born outside the United States and who have been attending one or more schools in the U.S. for less than three full academic years.

The proposal calls for \$35 million in new funding for a line item called "supporting newcomers." That money would be available for such expenses as hiring bilingual teachers, paraprofessionals and other staff; buying materials written in the students' native languages; providing additional before- and after-school programming; and providing other supports for children and families.

Funding for ISBE is just one part of the state's overall annual budget, but it is one of the largest categories of state General Revenue Fund spending. It was unclear Wednesday whether Gov. JB Pritzker was endorsing the request.

The Governor's Office of Management and Budget issued a report in November projecting the state could face a budget deficit next year of \$891 million, assuming revenue trends remain stable and the state continues making all of its required payments into its rainy day fund and pension funds.

Pritzker is scheduled to deliver his budget proposal to the General Assembly on Wednesday, Feb. 21.

Meanwhile, Advance Illinois issued a statement Wednesday that noted school districts will face their own budget pressures next year when federal pandemic-related relief programs come to an end.

"ISBE's proposal serves as a solid road map for investments Illinois must undertake to meet the comprehensive needs of every child and student in the state generally, and in the ongoing aftermath of COVID disruptions," the organization said.

Economic News Briefs...

- **Economic Growth Continues:** The Federal Reserve referenced the "evolving" economic outlook in a statement following its January 31st meeting in a nod to stronger growth and the potential impact on the path of interest rates. Prior to the meeting, the Bureau of Economic Analysis announced the "advance" estimate of GDP increased at an annual rate of 3.3% in the fourth quarter of 2023. While the level declined from 4.9% in the third quarter, growth remained strong and was led by 2.8% growth in consumer expenditures. Business spending accelerated to 1.9% annualized growth in the fourth quarter. Two days after the Fed meeting, markets digested a stronger than expected jobs report with 353,000 new jobs added in January. *Source: Bloomberg, www.bea.gov*
- **Fed Not Ready to Cut Rates:** The Fed, as is so often the case, is walking a tight line in its communication. Through the Fed's statement following its January 31st meeting, the Fed indicated it is likely done raising rates while pushing back somewhat on the timeline for when the first rate cut may occur. The Fed's statement acknowledged progress on reducing inflation by removing language which indicated a willingness to keep raising interest rates until inflation cooled. Prior to the meeting, markets were pricing in a moderate chance of rate cuts to begin in March with about six 0.25% cuts in 2024. The Fed pushed back on this timeline by saying it does not expect cuts to begin "until it has gained greater confidence" that inflation is returning to its 2% target. *Sources: www.federalreserve.gov*

Taken from the ISDLAF+ Market Update February 2024 prepared by PMA Asset Management, LLC

DPS Business Department Briefs...

- **Charging and Fueling Infrastructure Program Grant Recipients - FY 2022 and 2023 Grant Award Recipients:** You may remember that along with the Micro-Grid/Electric Bus grant which we received, we were also participating in a US Department of Transportation - Charging and Fueling Infrastructure Grant with the same consortium of schools. We have been notified that our group was not selected for this grant. In looking through the list of recipients, it appears the organizations across the country awarded this grant were city and state related. No schools received this grant. In Illinois the only recipient was State of Illinois Community Charging Program, Illinois Finance Authority, \$14,962,506.00 - EV Charging – Community. Information regarding this grant can be found at; https://www.fhwa.dot.gov/environment/cfi/grant_recipients/
- **Food Service Bid:** ISBE has returned our IFB for Food Service and approved for us to begin the process. As a general timeline, the process will open in March with notification in the newspaper, sending the information directly to potential bidder. There will be a required pre-bid meeting and corresponding site visits. Bids will close in April, with the Board being asked to approve in May. Remember this is a lowest qualified bidder situation so a review will be conducted by the Business Office with the support of ISBE regarding bids.

Countywide Sales Tax – October FY 24 receipts were \$165,000 (received in February). This amount was consistent in comparison to FY 23 with an increase of \$2,800 (1.8%). The CFST receipts are three months in arrears so the funds received in February represent the taxes paid by consumers in October. Traditionally, October is a strong month. Also, it is important to remember that these funds cannot be spent on anything other than facilities improvement. The summary below outlines a summary of the receipts over the life of the program with a comparison of FY 23 vs. FY 24.

Countywide Sales Tax Revenues					
	FY 21	FY 22	FY 23	FY 24	Difference FY 23 v. 24
July	\$121,288.35	\$154,600.29	\$167,736.37	\$166,297.20	-\$1,439.17
August	\$115,594.84	\$151,914.91	\$157,646.19	\$171,178.89	\$13,532.70
September	\$116,334.97	\$147,769.08	\$160,407.90	\$175,220.50	\$14,812.60
October	\$112,275.12	\$149,779.51	\$162,719.99	\$165,535.70	\$2,815.71
November	\$106,429.79	\$151,772.24	\$157,766.14	\$0.00	-\$157,766.14
December	\$128,684.07	\$173,545.72	\$167,486.45	\$0.00	-\$167,486.45
January	\$111,992.06	\$120,886.90	\$134,425.96	\$0.00	-\$134,425.96
February	\$99,477.24	\$116,109.65	\$123,815.53	\$0.00	-\$123,815.53
March	\$148,655.02	\$148,860.94	\$154,850.14	\$0.00	-\$154,850.14
April	\$143,327.16	\$151,074.10	\$159,801.14	\$0.00	-\$159,801.14
May	\$156,683.58	\$176,921.12	\$182,291.57	\$0.00	-\$182,291.57
June	<u>\$159,221.58</u>	<u>\$179,688.24</u>	<u>\$181,283.06</u>	<u>\$0.00</u>	<u>-\$181,283.06</u>
	\$1,519,963.78	\$1,822,922.70	\$1,910,230.44	\$678,232.29	(\$1,231,998.15)

The next payment obligation for 2018A & 2019A Alternate Revenue Bonds will be an interest payment in July 2024. The payment will be allocated out of CFST receipts on a monthly basis to meet the obligation. Then in January 2025, a principal and interest payment will be made on the bonds. In general, the obligation amount is \$90,000/month. Any amount above this amount, represents opportunity for future facility improvements.

Renew America’s Schools Grant:

A number of months ago, I informed the Board that we were the recipient of approximately a \$1.0 million Electric Bus/MicroGrid Grant. This is intended as a general update on the process.

- Since this grant was established as a consortium of school, the grant led in coordination with Econergy has been putting the details together. This includes the engineering specifications, developing partnerships with manufacturers, conducting bids, and the filing of grant documentation.
- The District has engaged GRP Mechanical, Inc. as our preferred performance contractor. The District has worked with GRP before with the major renovation project.

- In working with Econergy, we have determined that the electrical service at the District office is not adequate for the installation of the Micro-Grid. As a result, a determination has been made to put the Micro-Grid and electric charging stations for buses at RMS. There is an area on the southern portion of the building, outside of a side door to the gymnasium and outside of the technology area. The current plan will be for the Micro-Grid to also run the technology area in the event of a power outage and to possibly run a connection across the school to also run the kitchen. This will provide a level of crisis management.
- This is a calendar of events moving forward.
 - Jan 2024 Finalize award negotiations
 - Feb/March 2024 Anticipated Award Finalization
 - March/April 2024 First wave of equipment orders
 - March/April 2024 First wave of construction bids awarded
 - Aug 2024 First wave of construction complete
 - Dec 2024 First wave of microgrids activated
 - Dec 2025 All microgrids & V2G instances are live

Work Cash Fund Information:

As the District continues with the renovation of the Dempsey Therapeutic Day School, the payment of contractors and the sources of funds will need to be considered. Per the Treasurer’s Report for January 2024, there are two funds to be considered and discussed; Capital Project - \$1.25 million and Working Cash - \$1.99 million. As projects are completed and worked on, contractors require periodic payments in route to the completion of the contract. Depending on the speed and pace of the renovation and payment plans, as well as the CFST receipts, it may be necessary to utilize working cash to cover some of the costs.

Working Cash is a separate fund used to account for tax levied receipts and for the bond proceeds depending upon the type of bond transaction. The working cash fund does not allow for expenditure payments and only allows for use of funds through a Board of Education approved transfer or loan.

- (105 ILCS 5/20-5) (from Ch. 122, par. 20-5) Moneys in the working cash fund shall be transferred from the working cash fund to another fund of the district only upon the authority of the school board which shall from time to time by separate resolution direct the school treasurer to make transfers of such sums as may be required for the purposes herein authorized. *(Taken from Illinois School Code)*
- Section 20-4 of the Illinois School Code (105 ILCS 5/20-4) authorizes school districts to make inter-fund loans from: Working Cash Fund to any fund of the district for which taxes are levied. *(Taken from Mechanics of a School district Budget – www.isbe.net)*

The Board of Education can utilize working cash funds by either authorizing a permanent transfer of the funds for a specific purpose or authorizing a loan to another fund which must be repaid by that fund. The District has utilized both of these options in the past few years.

- In November 2020, a permanent transfer of working cash funds was authorized to purchase the initial set of chromebooks for RMS for the one-to-one initiative.
- In April 2020, the Board authorized a working cash loan to the Transportation Fund for operational expenses. This was a time, when the State of Illinois owed school districts a significant amount of money.
- In March 2022, the Board authorized to reclassify the April 2020 loan, making it a permanent transfer.

Treasurer's Report – January 2024

In your Board Packet, you will find the Treasurer's Reports for January 2024. The summary graphs represent FY 24 fund balances through January 2024. Note the balance in Fund 30, Debt Service is a balance of \$547,000, which is a \$3.0 million reduction due to the payment for principal and interest on our outstanding bonds. Balances for the funds for the first two quarters of each year reach their highest balances due to property tax revenue receipts. During the second half of the year, cash flow and revenue are traditionally low, while expenses for salaries and basic operations remain consistent throughout the year. This month saw a total decrease in fund balances of \$3.5 million primarily due to the \$3.0 million payment for bonds. The operating funds decreased by \$500,000. Categorical payments for transportation and a CPPRT receipt supported cash flow in the operating funds.

