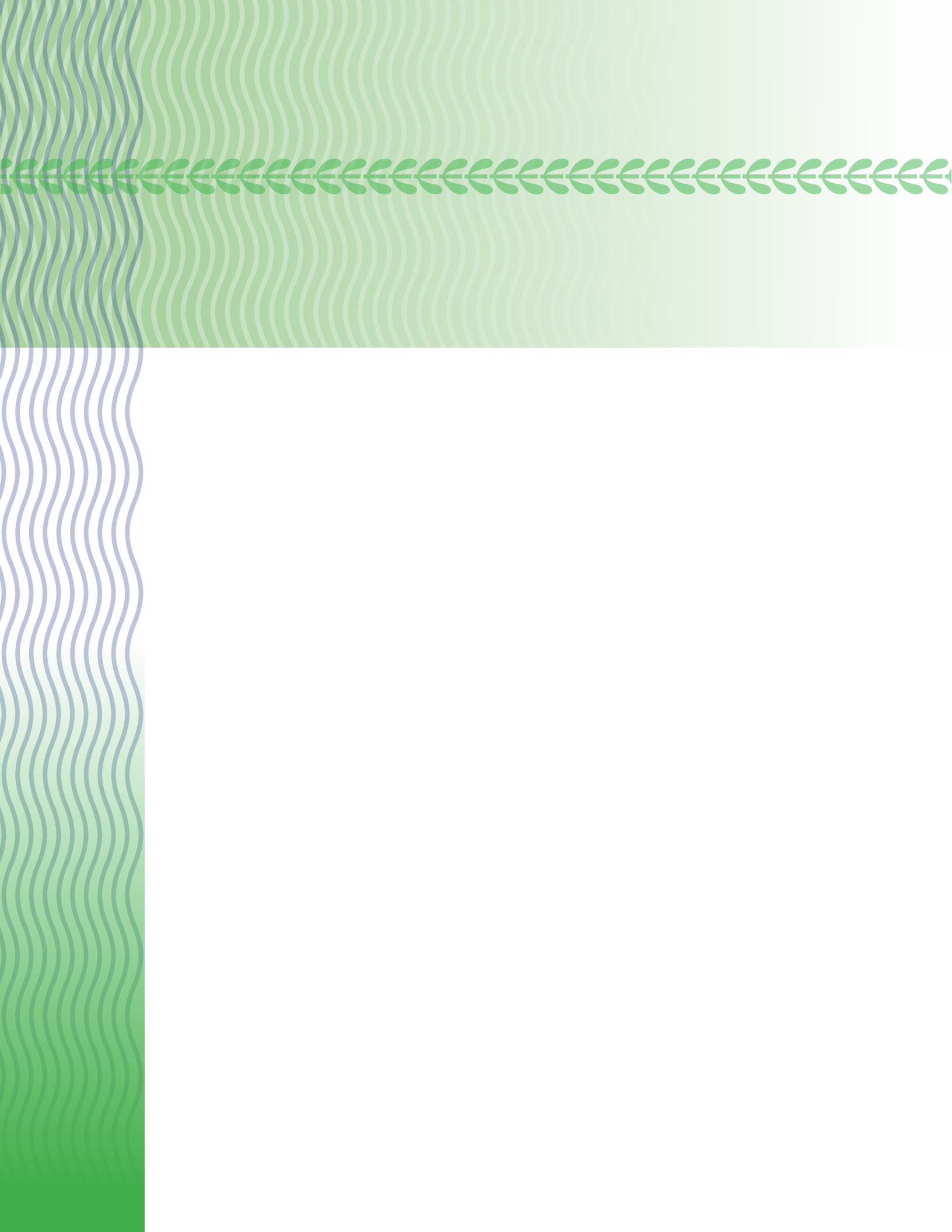




K-12 Budget Crisis Toolkit

Created by the Illinois Statewide
School Management Alliance

June 2017



June 1, 2017



Dear Superintendent, Board President, Business Official and Principal,

The General Assembly adjourned yesterday without passing a PK-12 education budget for the 2017-18 school year. While we hope that common sense and the educational future of the state's schoolchildren will prevail over political gridlock, this Budget Crisis Toolkit is an attempt to be proactive and provide you with as much help as possible in dealing with this looming crisis.

We understand that Illinois is not a "one-size-fits-all" state when it comes to its school districts, and that schools depend on state aid in varying degrees. Obviously, those that rely most on state aid will be hardest hit if general state aid payments are not being made in August when the school doors are scheduled to be opened. Even those districts that are fortunate enough to be able to operate their schools for a time without state aid have difficult decisions to make when it comes to issues like draining reserve funds and/or borrowing money. The failure of the state to make all of its mandated categorical payments in FY17 has further deteriorated the financial stability of many districts.

Similar to last year, when we did not get a PK-12 budget until late June, developing a contingency plan and openly communicating that plan to your board, community and legislators are critical. Communicating clearly and frequently with parents is essential for their understanding and assistance in resolving this serious situation that affects their children's education and related opportunities.

This Toolkit is designed to provide a framework for assessing your local situation and a potential timeline for decision-making and action along with an emphasis on community engagement. It also will provide district leaders with some initial thoughts about planning for and mitigating this predicament. As mentioned, our state's school districts are quite diverse and each district's story will be unique given their local circumstances regarding such things as collective bargaining agreements, debt obligations and other factors. It is important that you seek legal advice through your district attorney.

Determining your school district's path forward if there is no PK-12 state budget will be a shared decision involving the local school board, school district administrators and community input. Similarly, engaging members of the General Assembly and the Governor's Office to resolve this budget impasse also needs to be a team effort. It is our hope that this Toolkit can assist you in telling your unique story and painting a clear picture regarding the consequences of not having a PK-12 state budget.

Sincerely,

Dr. Brent Clark
IASA

Mr. Roger Eddy
IASB

Dr. Mike Jacoby
IASBO

Mr. Jason Leahy
IPA

SUGGESTED TIMELINE

June:

- Conduct a District Financial General Analysis (See Attachment A).
- Initial letter from Superintendent to parents, community members and possibly the union regarding lack of a K-12 budget (see samples in Attachment B).
- Ask community members to immediately contact their state legislators (provide them with contact information).
- Schedule a discussion about the lack of a K-12 budget at a June Board meeting. Talk about the impact on the district, potential scenarios, establish a pathway for community engagement and set a timeline for decisions by the Board.

Early to mid-July:

- Write a joint editorial by the Superintendent and Board President laying out the district's situation and potential scenarios. Announce a community meeting and invite everyone to provide input and receive information.
- Participate in a statewide #TheClockIsTicking Tweet blast to be organized by the Statewide School Management Alliance

Mid to late July:

- Hold community meeting to provide information, receive input and rank community priorities

Early August:

- Final decision by the Board of Education. Announce to public all decisions, timelines, plans and ways to further engage with legislators

GOALS FOR YOUR DECISION CHART

- Prepare a goal-based decision chart that will help you **manage public expectations** and provide you with measurable goals as you navigate through this state budget crisis.

PREPARING YOUR DECISION CHART

- The goals in the decision chart should be prioritized because some of the goals might be in competition with other goals. Every school district is unique and might have different goals, but a partial menu of possible goals for a decision chart include examples on the next page.

EXAMPLES OF GOALS FOR DECISION CHART

- Keeping school open and providing a full complement of academic and extracurricular offerings (if this is the No. 1 goal, it might require spending down reserves and eliminating your safety net and/or even borrowing money).
- Keeping school open with cuts to academic and/or eliminating all sports and extracurricular offerings (might include delaying start of school).
- Protecting the short-and long-term financial stability of the district (might limit the extent to which you would drain your reserves* and/or might limit or exclude borrowing and/or affect property taxes).
- Continuing to provide wrap-around services for at-risk students in the event you might have to close school (might include court-ordered services or placements or alternative schools).

* ISBE recommends a minimum of 90 days of reserves.

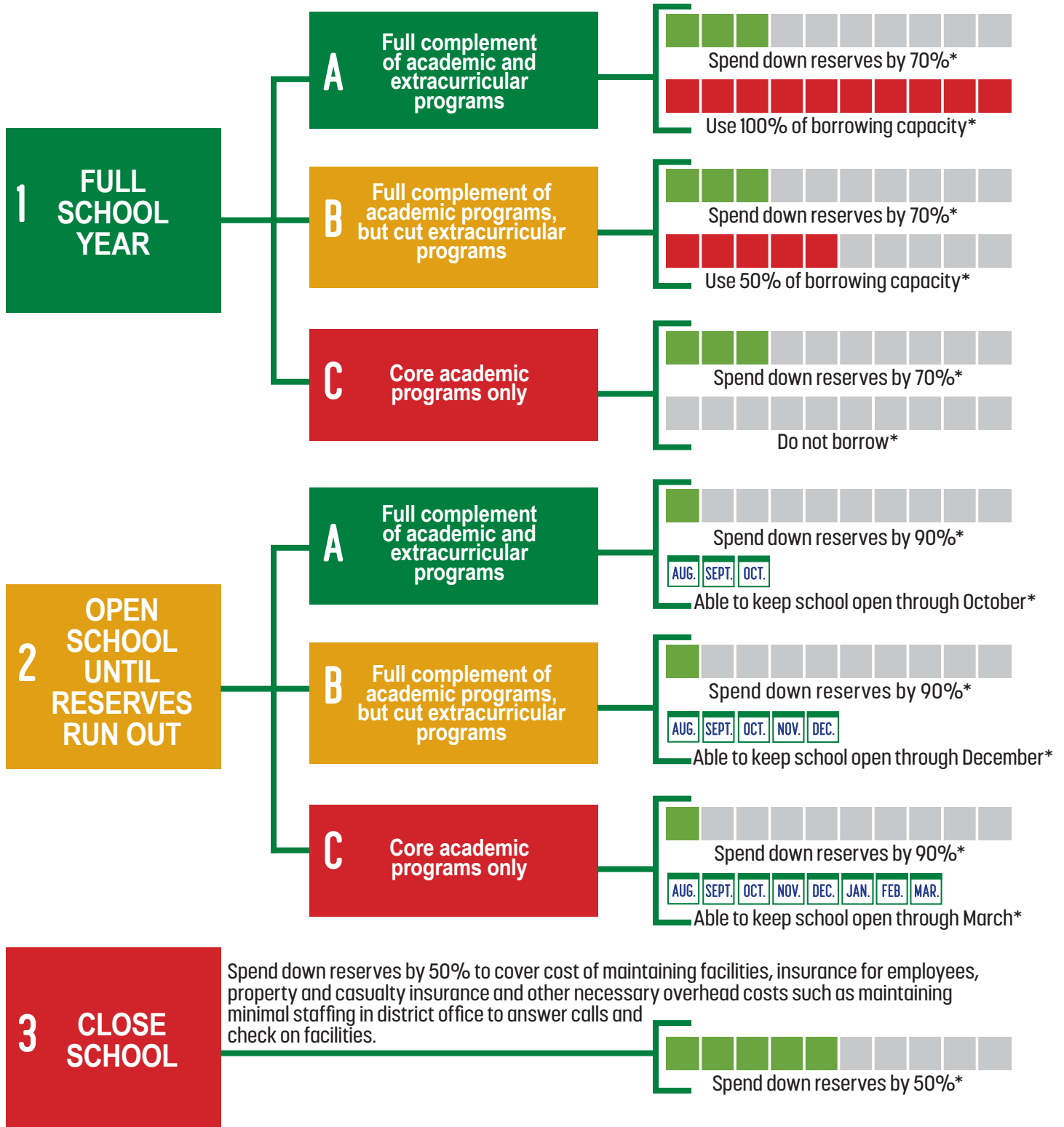
DECISION CHART

This graphic is designed to help guide administrators and board members through the decision process. Every district's situation is unique with regard to operating expense, cash reserves, borrowing capacity and other factors, but the main decision points remain the same: Do you open school? If so, for how long? Do you have a full complement of academic and extracurricular programs? And, how much of your reserves are you willing to spend down and/or how much are you willing to borrow, understanding that spending down reserves may affect your bond rating and your ability to borrow (see story on next page).

CHOOSE DURATION:

CHOOSE OFFERINGS:

FINANCIAL OUTCOMES:



*Examples only; percentages would vary from district to district based on a variety of factors.

ISBE recommends a minimum of 90 days of reserves.

May 24, 2017

Education

School District's Bond Rating Downgraded Due to Substantial Drop in Cash Reserves

By Deborah Gertz Husar, Herald-Whig;
Updated: May. 23, 2017 8:06 am

QUINCY—The Quincy School District plans to move forward with selling another \$20 million in bonds in June tied to its K-5 elementary school construction project.

But the district's bond rating has been downgraded due to the state's ongoing budget impasse.

"There will be a slight increase in the rate we pay," Superintendent Roy Webb said.

S&P Global Ratings downgraded the district's rating from A- to BBB+ "due to a fiscal imbalance that has resulted in a substantial drop in available cash reserves," according to an analysis presented at Monday's Finance Committee meeting.

"What has occurred is not necessarily the fault of the district," said Bob Lewis, senior vice president and managing director of PMA Securities, Inc., which is working with the district on the bond sale.

Last year's deficit was primarily caused by an unexpected drop in the personal property replacement tax, and "this year's deficit is going to be primarily caused by delayed categorical payments. None of that is your fault, and ratings analysts recognize that, but they still have to evaluate your credit for investors," Lewis said.

The district also faces "the Illinois

"What has occurred is not necessarily the fault of the district. Last year's deficit was primarily caused by an unexpected drop in the personal property replacement tax, and this year's deficit is going to be primarily caused by delayed categorical payments. None of that is your fault, and ratings analysts recognize that, but they still have to evaluate your credit for investors."

—Bob Lewis, senior vice president and managing director of PMA Securities, Inc.

premium" because of the state's continued financial issues.

"It means your borrowing costs are higher because of what the state does. If the state continues to get downgraded, the Illinois premium will continue to widen," Lewis said. "We anticipate an additional .1 to .15 percent to the borrowing rate because of that."

The analysis report cited the district's recent history of budget shortfalls and subsidizing operations with working cash transfers but also noted the district's goals to begin rebuilding reserves, in part through reducing the number of elementary schools to five from

seven after the capital project is complete.

All those factors are considered by investors in the bond sale planned for pricing on June 5 and closing, with proceeds received by the district, on June 26.

Delaying the sale would not necessarily net the district any financial benefit.

"If we wait a year...the risk we're facing is further downgrade impact because of the state and anything else that happens to us locally," School Board member Mike Troup said.

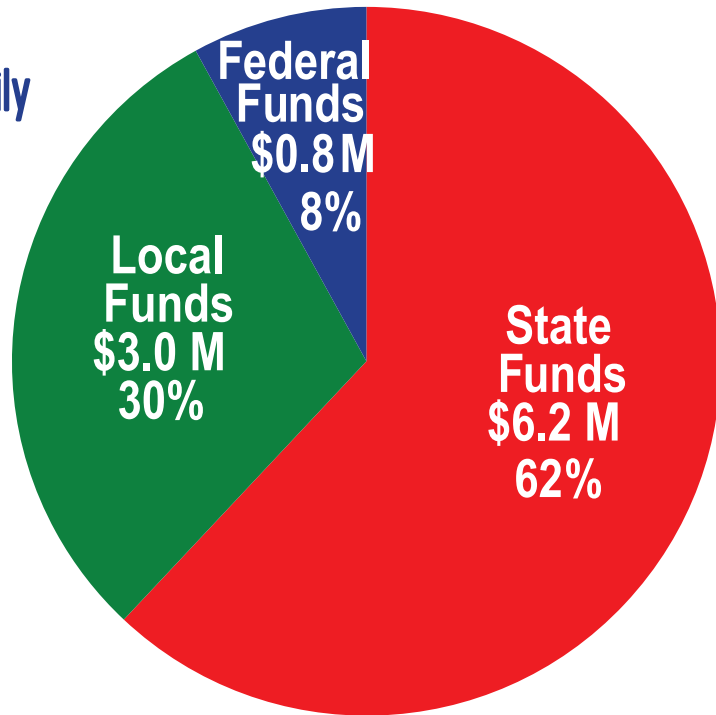
NEXT STEPS

- Once the first draft of your decision chart is completed, communicate that information to parents and the public—not as final decisions, but as the considerations that will lead you and the Board to decisions.
- Communication in the form of a joint message from you and the Board president, a joint editorial in the local paper or any method that is effective in your district and community.
- Schedule a public meeting to discuss the goals and the preliminary decision chart and be willing to revise or reprioritize the goals based on community input. The purpose of getting information out about the preliminary decision chart is to give community members time to digest the information and be prepared to offer input.
- Hold a public meeting to review the draft decision chart, including a budget breakdown that uses easy-to-understand budget graphics (see samples on following pages).

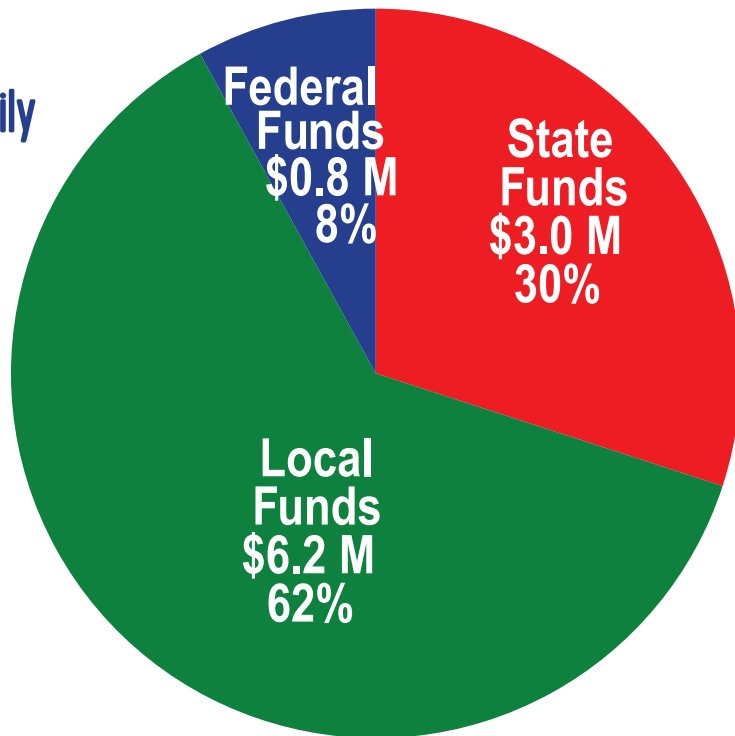


EXAMPLE OF FUNDING PIE CHARTS

Example A: District heavily reliant on state funds



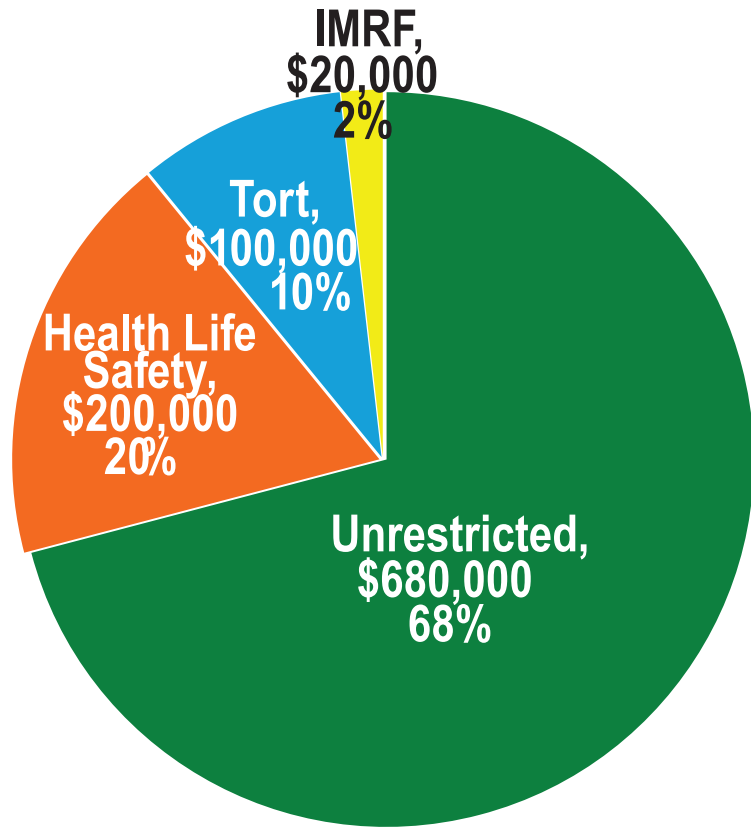
Example B: District heavily reliant on local funds



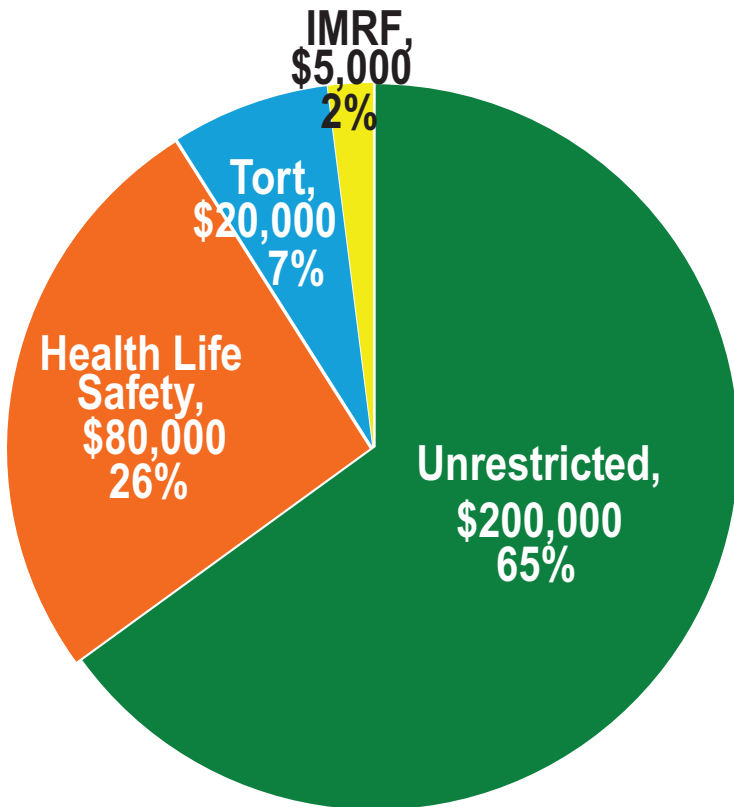
- State Funds
- Local Funds
- Federal Funds

RESERVES

Example A



Example B



PROJECTED DAYS OF OPERATION USING UNRESTRICTED RESERVES

Example A:



\$680,000 unrestricted reserve funds
\$10,000 / day operating expense
= 68 days of school

Example B:



\$200,000 unrestricted reserve funds
\$10,000 / day operating expense
= 20 days of school

CHECKLIST OF OTHER ITEMS TO CONSIDER

- Overhead costs that you incur even if you don't open school (building maintenance, maintaining health insurance for all employees, utilities and any contractual obligations that you are locked into such as transportation, custodial, food service, some special education costs, unemployment and others).
- Legal contractual issues: Do you have to pay and provide benefits to teachers and staff regardless of whether you open school?
- The impact of state/federal mandates (depending on ISBE guidance, you may need to request waivers from certain mandates).

FINAL STEPS

- Revise the decision chart based on community input and then assign timelines/deadlines for certain decisions as applicable and update stakeholders regarding the timelines.
- In addition to teachers, staff, students, parents and community members, other stakeholders that should be notified include ISBE, the ROE, the Illinois Department of Human Services (if you delay or close any certified child care classrooms), the IHSA and neighboring and conference districts based on cooperatives, and shared transportation, vocational and special education agreements (see Attachment C for a list of procedural steps to take when implementing a delayed start or temporary closure).
- Update stakeholders as you make each decision, again using the communications joint messages from the superintendent and the board president.

Attachment A: District Financial Analysis

These recommendations are not intended to be entirely comprehensive but more along the lines of generating the conversation and critical thinking about analyzing a district's financial situation relative to the prospects of not receiving state support through general state aid (GSA) or categorical payments during the 2016-17 school year.

1. Examine and delineate all cash reserves, if any, between unrestricted and restricted. ISBE recommends a reserve equal to 25% of total annual revenue.
2. Calculate an average per day cost of full operation.
 - a. Calculate an average cost per month for employee health insurance.
 - b. Calculate an average cost per month for property and casualty insurance.
 - c. Calculate an average cost per month for basic utilities.
3. Calculate the receipt of local tax dollars for both unrestricted and restricted funds.
4. Determine the date(s) when the local tax dollars will be received.
5. Develop a minimum 90 day cash reserve threshold for a preservation of basic operations. ISBE recommends a 180 day cash reserve when fully operational.
6. Consider the option and impact of a delayed start (see specific guidance in Attachment C).
7. Develop a minimalistic personnel schedule and associated costs of building(s) security, answering phones, public requests, compliance responses, mail, etc.
8. Examine borrowing costs for a line of credit, working cash bonds, etc.
9. Examine notification requirements in various contracts should schools be closed (busing, food service, custodial, copiers, etc.).
10. Review debt payments and develop a plan to meet those requirements
11. Review collective bargaining and employment agreements and develop a plan to preserve district resources until a budget resolution is achieved.
12. Develop a plan to secure district assets (buildings, buses, etc.).

Attachment B: Sample Letters from 2016

Good afternoon,

Legislators and the Governor failed to reach agreement on a state budget. The budget impasse continues in Illinois. You may soon hear speculation about whether schools will open in the fall.

The lack of a state appropriation for K-12 education in Fiscal Year 2017 will result in dire consequences for many districts. For Rochester, state funding comprises about one-half of revenue for the Education Fund. It represents about forty percent of revenue for the Transportation Fund. The district has fund reserves that will allow the opening of school. These reserves should sustain the district through the first semester. However, ongoing dysfunction at the capitol ultimately results in a shift of the cost of educating Illinois' children to local property taxpayers.

The top priority for our elected officials must be to enact a budget that includes adequate funds for public schools. This will ensure that schools across the state open on time and are adequately funded for the full year. An evidence-based funding model is the soundest and fairest long-term answer to having an adequate and equitable school funding model in Illinois. It is based on research-based practices.

Toxic climates often lead one to avoid getting involved. Yet, as taxpayers and as concerned citizens, now is the time for engagement. Contact your elected officials to let them know your feelings about the current "state of our state." Your board of education and I will continue to monitor this situation. We will develop contingency plans to respond to the prospect of an ongoing budget impasse into the fall. We are committed to opening schools on time and to educating our children without interruption.

Thank you for your continued support of our schools.

Sincerely,

Dr. Thomas E. Bertrand, Superintendent

Attachment B: Sample Letters from 2016

Superintendent
Dr. Douglas A. Wood

Chief Financial Officer
Charlotte Montgomery, CPA

Director of Special Education
Jennifer Farnsworth

Director of Human Resources
Ashley Romadka

Director of Communications
Betsy Schroeder

Director of Safety and Security
Randy Allen

Director of Operations
Jim Lovelace
217.483.6098

Director of Facilities and Grounds
Mike Dobbs
217.483.5078

Director of Technology
Josh Mulvaney
217.483.6704

Glenwood High School Principal
Jim Lee
217.483.2424

Glenwood Middle School Principal
Tina Root
217.483.2481

Glenwood Intermediate School Principal
Elizabeth Gregurich
217.483.1183

Ball Elementary School Principal
Joe Viola
217.483.2414

Chatham Elementary School Principal
Kim Sepich
217.483.2411

Glenwood Elementary School Principal
Tammi Kuhn
217.483.6704

Board of Education

President
Steve Copp

Vice President
Duane Sieren

Secretary
Greg Yurevich

Members
Linda Carter
Dr. Brandon Maddox
Susan Worley
Lisa Weitzel

Ball-Chatham Community Unit School District No. 5



201 W. Mulberry St., Chatham, Ill. 62629 · Phone 217.483.2416 · Fax 217.483.2940 · www.chathamschools.org

Dear Parents and Guardians,

As you may know by now the impasse at the Capitol continues as legislators and the Governor were unable to reach agreement on a budget. In the coming days you will hear a great deal of speculation pertaining to whether schools will open in the fall.

Without a state appropriation for K-12 education in Fiscal Year 2017 (begins 7/1/16), many school districts will face dire circumstances. For Ball-Chatham, state funding comprises nearly 23% of revenue for the Education Fund and about 45% percent of revenue for the Transportation Fund. The district has fund reserves that will allow the opening of school and should sustain the district through the first semester. Of course, this would mean that the dysfunction at the Capitol has resulted in a shift of the cost of educating Illinois' children to local property taxpayers.

The top priority for our elected officials must be to enact a budget that includes adequate funds for public schools for the upcoming school year. This will ensure that schools across the state open on time and are adequately funded for the full year. An evidence-based funding model is the most sound and fair long-term answer to having an adequate and equitable school funding model in Illinois. It is founded on research-based practices.

The toxic climate at the Capitol often leads one to avoid getting involved. Yet, as taxpayers and as citizens who are concerned about the health and future of our state, now is the time to be engaged. Contact your elected officials (Sen. Sam McCann at <http://www.senatormccann.com>, and Rep. Sara Wojcicki Jimenez at <http://www.sarawojcickijimenez.com> to let them know your feelings about the current "state of our state." Meanwhile, be assured that your Board of Education and I will continue to monitor this situation closely. We will also continue to develop contingency plans to respond to the prospect of an ongoing budget impasse into the fall. We are committed to continuing the outstanding educational services that your child deserves, and are committed to serving our school community without interruption.

Thank you for your continued support of our schools.

Sincerely,

A handwritten signature in black ink that reads "Douglas A. Wood".

Dr. Douglas A. Wood

Attachment B: Sample Letters from 2016

LACK OF STATE BUDGET AND EDUCATION FUNDING APPROPRIATION

Now that the Illinois Legislators have once again ended a fiscal year with no state budget and no funding appropriation for public K-12 and Higher Education, the question now becomes how do we move forward in District 205.

The continued budget impasse means that we now need to shift our focus on NOT doing what is best for our students and stakeholders but to now planning for the very real possibility that we will not have the funds necessary to complete a full 2016-2017 school year. The lack of the General State Aid that comes as part of a spending appropriation will be the reason we are not able to complete the full 2016-2017 school year.

We will continue trying to develop a FY 17 district budget. We will now begin working on preparing two distinct district budgets: one that includes General State Aid revenue and one that does not. The difference in revenue between the two budgets will be approximately \$17 million dollars. We will also be looking at additional ways we can lower our expenditures to stretch our limited cash reserves as far as we can.

At this point, I don't see the starting date for the 2016-2017 school year changing. Our plan currently is to continue to plan for a Monday, August 15, 2016, Teacher Institute Day and the first day of K-12 student attendance will be Tuesday, August 16, 2016. How far into the 2016-2017 school we can go without an education spending plan remains to be seen. Discussions with the District 205 Board of Education on this topic will begin later this month.

I want to encourage all District 205 stakeholders to continue to contact our local legislators, our legislative leaders and the Governor. There needs to be continued pressure put on these elected officials to do what they were elected to do and that is put together a spending plan to provide for basic government services to continue. We need a spending plan that provides for the basic safety and welfare of this states children. And we need it now. Our elected officials need to find whatever common ground there can be agreed upon. The major philosophical arguments that exist need to be put aside for another day. The budget battle does not have to be fought and won all at once. Our elected officials need to come to this realization sooner rather than later.

The livelihood of approximately 650 staff members who work for District 205 is at stake. The economic vitality of our community is at stake. Millions of dollars could be taken out of the local economy if this budget stalemate is allowed to continue for very long. This situation is real. The consequences for our students, our staff, our stakeholders and our community are real.

I will do my best to continue to communicate with our stakeholders about this situation. The pressure of this situation has increased substantially with the legislator's failure to pass a K-12 spending plan by the May 31st session ending deadline. Our stakeholders must likewise increase the pressure applied to our elected officials. Please feel free to contact me with any questions that you may have as we move forward in these uncharted waters.

Ralph Grimm
District 205 Superintendent

Attachment B: Sample Letters from 2016



Community Unit School District #205

..... *Helping Students Achieve Their Dreams*

District Website: www.galesburg205.org

Lincoln Education Center: 932 Harrison Street, P.O. Box 1206, Galesburg, IL 61402-1206

Phone: (309) 973-2000 Fax: (309) 343-7757

June 1, 2016

Dave Sharp, President
Galesburg Education Association
206 Knox Rd., 2000 N
Galesburg, IL 61401

Dear Mr. Sharp:

As you are aware, the district is facing significant financial challenges as evidenced by the Board's decision to reduce District expenditures for FY 17 by approximately \$3,000,000.

Further, as you are aware, we find ourselves today, June 1, 2016, with no state budget or a K-12 funding budget for public education. This situation will further strain our limited resources going forward and will severely affect our ability to keep the district open for the entire 2016-2017 school year.

Toward that end, I would respectfully request the Galesburg Education Association give strong consideration to voluntarily accepting a hard freeze for all GEA employees for the 2016-2017 school year. I am also planning on asking the members of the General Services Employee Union to accept the same hard freeze. In addition, I plan to ask the exempt staff members in the district (everyone not covered by the GEA or the General Service Union) to accept the same hard freeze. This would also apply to all administrators.

The only exception to the hard freeze concept would be those district employees who are currently in the retirement pipeline. I propose recommending that the Board allow this exception so as to not negatively impact those who have already decided to retire.

I realize that this is a very significant proposal. A hard freeze means that everyone (except those in the retirement pipeline) would work for the same salary as this year. No steps would be granted. No movement for additional college hours earned would be granted. Everyone's salary would be frozen at their current level.

I believe that by taking a hard freeze, all district employees can show our stakeholders that we are truly concerned about student success. The dollars saved will not allow us to stay open the entire school year without a state budget but it just might prolong the number of days that we can stay open.

My request is that you discuss this with your executive committee. I will be willing to answer any questions that you may have regarding this request. I look forward to hearing from you.

Respectfully,

Ralph Grimm
Superintendent

Attachment C: Delayed Start or Temporary Closure

What procedural steps should the district consider taking when implementing a delayed start or temporary closure? Consider the following:

- Hold a school board meeting to take action on a delayed start or temporary school closure and on the actions developed to address the issues noted above. Take action to change the adopted school calendar.
- Notify the Regional Office of Education immediately upon the affirmative vote of the school board for a delayed start or temporary closure.
- Notify the Illinois State Board of Education (ISBE) immediately upon the affirmative vote of the school board for a delayed start or temporary closure, and provide ISBE with the documentation developed from this checklist and/or any other actions associated with the delayed start/temporary closure.
- Notify the Illinois Department of Human Services of the delayed start/temporary closure of any certified child care classrooms.
- Notify neighboring schools (both public and nonpublic) of your delayed start/temporary closure.
- Notify the Illinois High School Association and the Illinois Elementary School Association.
- Identify statutes to request waivers or emergency waivers from school mandates. [Click here for a list of school mandates enacted since 1992.](#)

***Always remember to contact your school district attorney as necessary**

