

**Financial Projections and Planning**  
**December, 2011 Levy Rationale**  
Eastland CUSD #308

**History**

In 1987, the Lanark and Shannon Districts consolidated into the Eastland Community Unit School District. From that time, and particularly from 1991-2008, the Eastland District experienced rapidly increasing equalized assessed valuation (EAV) of the property within its boundaries. During that 17 year period, the total value of the property within the district increased at an average of 7% per year.

This increase in EAV has been to the benefit of all stakeholders: the District has benefited in its ability to pay teachers competitively, keep class sizes small, to offer a varied program, and to maintain and improve its facilities with the construction of new additions at the High School and Middle School in 2000, a new cafeteria and art room at the High School in 2006, significant remodeling of Eastland Middle and High School restrooms and classrooms in 2007, and a physical education addition and vocational upgrades scheduled for completion in May, 2011.

The taxpayers have benefited during this period as well. Increases in new property and the value of existing property have moved the total tax rate down during a period when tax rates among neighboring districts have been climbing. After reaching a high of 4.35 in 1999-2000, the rate has dropped every year to its lowest level of 3.25 in 2009-10. EAV in the District did not increase appreciably in 2010-11, causing the rate to increase to 3.39 for the first time in ten years.

As a result of the economic recession, the District's EAV has dropped for the last two years, by -5.5% for the 2011-12 budget, and a currently projected -11.89% for the 2012-13 budget. Construction of new homes has dropped from an average of 40 homes per year to less than five. Because the District had never taxed to its legal limit, the result is that the tax rate has moved from 3.39 to 3.71, and is projected to move to 4.08 for the 2012-13 school year. At the same time, we are projecting that the District will bring in \$277,000 less in revenues in 2012-13 than the previous year depending on the final calculation for assessed value.

**Assumptions**

**- General State Aid and Categorical Funding**

This plan assumes decreases in state funding for education and transportation. Because of the state fiscal crisis, payments to school districts have been delayed by 6 months, categorical grants have been eliminated, and transportation reimbursement has been reduced by more than 40%. Eastland had been a hold harmless District with approximately \$600,000 annually received from the State. The elimination of the hold harmless provision resulted in \$150,000 less state revenue annually to Eastland for education. This means that the burden for funding our schools is increasingly shifting onto local taxpayers, while the burden for the State is decreasing. **For Eastland, it means that the District will decrease its levy by -.5% from last year's amount, but will generate -4% less revenue than the year before.**

**- Equalized Assessed Valuation and Tax Rates:**

In 2010, the Carroll County Assessor had projected that district EAV would be decreasing by 9%-11% over the next two years due to declines in property values, particularly at Lake Carroll. However, in November, 2011, she informed the District

that the aggregate assessment in Freedom Township would be lowered by 26%, which would in turn lower Eastland's assessed value by 16.6%. For 2012-13, this was three times greater than the Assessor's original projection.

This constitutes a dramatic and unforeseen threat to the District's revenue stream at a time when interest on investments and state aid are both declining. Current projections are that Eastland will lose \$500,000 in revenues over the next two years. This levy will be insufficient to support the current educational program. Fortunately, the District's financial rating is excellent, and we have fund balances that can be used in the short term so that budget cuts can be planned and sequenced in a manner that has the least negative impact on student outcomes.

**- Employee Salaries and Benefits:**

This plan uses projections of 0% overall growth in expenditures. Average employee salary increases are projected to increase by 1.5% during the term of the 2008-11 collective bargaining agreement, as the Board of Education and the Eastland Education Association agreed to a 3-year soft freeze in salaries for 2011-2014. Average employee benefit increases for health insurance have generally exceeded 5% annually. Increases for pension costs are projected to remain flat, as certified staff agreed to contribute more to their own pensions for the term of the 2011-2014 collective bargaining agreement.

**Financial Planning**

**2010 Levy Review**

In December 2010, the Board of Education approved a levy increase of 4.1% over the previous year's. This levy increase was attributable to the following factors:

- 1) Certified salaries for FY 2012 would not be set until the collective bargaining agreement was resolved.
- 2) The projected increase for health benefits was 7%.
- 3) State funding for transportation had been cut by 40%.
- 4) State funding for categorical aid and hold harmless funding had been by 12.5%

In that same year, EAV within the district decreased by -5.5%. As a result, a taxpayer whose property did not increase in value should have realized a 9% increase in his/her school property taxes from the previous year (see chart below). 4% of this increase was due to the District's levy increase, while 5% was the result of lower taxes on citizens whose property had declined in value – a shift in burden from one group to another:

Property Value	EAV	3.39 (10-11 education tax rate)	3.71 (11-12 education tax rate)	increase	%
\$ 100,000.00	\$ 33,000.00	\$ 1,118.70	\$ 1,224.30	\$ 105.60	9%
\$ 150,000.00	\$ 49,500.00	\$ 1,678.05	\$ 1,836.45	\$ 158.40	9%
\$ 200,000.00	\$ 66,000.00	\$ 2,237.40	\$ 2,448.60	\$ 211.20	9%
\$ 250,000.00	\$ 82,500.00	\$ 2,796.75	\$ 3,060.75	\$ 264.00	9%

### Fund Balances

In their Strategic Planning completed in February, 2006, the Board of Education established the goal of maintaining fund balances of 40-50% of the total annual operating costs for the District. This levy for 2012-13 will maintain balances in this range for the fiscal year ending on July 1, 2013. It is important to note, however, that this levy will not cover the current costs of operations in the Education Fund. Consequently, the Board of Education will develop and implement a plan to use 1) available fund balances, and 2) reductions in costs to move toward a balanced and sustainable budget.

### Plan to Reduce Costs

In August, 2011, the Eastland Board of Education and the Eastland Education Association agreed to a 3-year collective bargaining agreement that helped to hold costs flat over the term of the contract.

The District plans to reduce its costs of operations in the future by:

1. seeking the most effective and efficient plans for staffing, as allowed by declining enrollment, and facilitated by retirements;
2. using facilities efficiently; and
3. sharing curriculum and services with neighboring districts;

### Impact Analysis

This plan maintains average administrative costs and average instructional costs per pupil. The District is committed to reducing expenditures as allowed by declining enrollment, with a focus on planning for change in the manner most likely to sustain and/or improve student achievement.

### Scenario Analysis

This levy will ask the taxpayers for \$7,466,654 -- a total decrease of -.5% from last year's levy. However, based on the Assessor's most recent projection, the District expects to generate \$7,222,354 – a total decrease of -3.7% from the previous year.

**If the EAV in the district decreases by -11.89% as projected, the resulting tax rate will be 4.057:**

Property Value	EAV	3.71 (11-12 education tax rate)	4.057 (projected 12- 13 tax rate)	increase	%
\$ 100,000.00	\$ 33,000.00	\$ 1,224.30	\$ 1,338.81	\$ 114.51	9%
\$ 150,000.00	\$ 49,500.00	\$ 1,836.45	\$ 2,008.22	\$ 171.77	9%
\$ 200,000.00	\$ 66,000.00	\$ 2,448.60	\$ 2,677.62	\$ 229.02	9%
\$ 250,000.00	\$ 82,500.00	\$ 3,060.75	\$ 3,347.03	\$ 286.28	9%

## *Summary*

The District is working to sustain and improve upon its tradition of academic achievement while reducing costs. We are strengthening partnerships with our neighbors and seeking new partnerships. We are maintaining and improving our facilities with an emphasis on safety, effectiveness, and community. With voter approval, we have bonded over 20 years to construct a new addition and remodeled vocational classrooms at Eastland High School. We are levying as necessary, though not sufficiently to cover projected operational costs. The Board is in the process of developing a three-year deficit reduction plan. The plan will use 1) available fund balances, and 2) reductions in costs to move toward a balanced and sustainable budget.