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To: The Board of Education and Dr. Patrick Broncato, Superintendent
From: Curt Saindon, Assistant Superintendent for Business Services/CSBO
Date: February 21, 2025
Subject: Budget Development – Revenue Projections for FY2025-2026

As we begin to develop our budget for next year, one that will include just over \$62M in projected revenues, we find that both State and Federal revenues will be somewhat uncertain, but Local revenues will be much more predictable. Luckily, we get about 84% of our revenues from local sources (a little under \$52M), 12% from State sources (about 7.5M) and 4% from Federal sources (around \$2.5M), so the bulk of our revenues should be fairly predictable and reliable. Additionally, we do have adequate reserves in place (around \$50M) to help cover any temporary shortfall that might occur due to lower State and/or Federal funding. These revenues do not include about \$18M in State “on behalf payments” made to TRS on our behalf, nor does the budget include an equal amount of State “on behalf expenses” claimed for those benefit payments...adding those in would give us a budget of almost \$70M, but as those “on behalf” payments and expenses don’t run through our books or touch our accounts, it makes more sense to ignore them focus on the approximately \$62M of direct revenues that we do receive.

Local revenues are comprised mainly of Property Tax Receipts (~ \$48M), Interest Income (~ \$3M), Corporate Personal Property Tax Receipts (~ \$300K), Food Service Revenues (~ \$50K), Transportation Receipts (~\$25K), Registration Fees (~\$150K) and other Miscellaneous Local Revenues (~\$150K). We are expecting an increase of about 3.5% overall in local revenues from this year to next year, with property taxes accounting for most of this increase and all other areas holding relatively steady. Luckily, local revenues are generally fairly predictable, stable and timely, and we count on them to cover a large base of our operations.

The State provides an important piece of funding support, especially through General State Aid (~\$4.7M), Special Education Mandated Categorical Reimbursements (~\$450K), Food Service Reimbursements (\$100K), Transportation Mandated Categorical Reimbursements (\$1.75M) and Early Childhood Programming Support (~\$525K). The State is facing a projected \$3B budget deficit next year (on a \$53B budget) and although ISBE has asked for about \$975M more to increase General State Aid, prorate mandated categorical programs, maintain food



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service reimbursements and slightly expand early childhood support, the cuts will have to come from somewhere to balance the budget. Funding education has been a priority for Governor Pritzker, but with the significant loss of Federal COVID monies that supported the State budget these past few years, we are most likely looking at a few lean years in terms of funding increases. Additionally, there is an impending Tier II Public Pension Fix that could cost anywhere from \$500M to \$1B (not included in the projected deficit) and the uncertainty of how the proposed Federal tariff increases might affect our economy and inflation. We should know more soon, as the Governor is set to provide his Budget Address to the General Assembly this week, and the State Budget will then begin to take shape. Overall, we expect State support to be somewhere around \$7.0M to \$7.5M, and we will be plugging in \$7M for our initial revenue estimates.

The loss of ESSER Funds (we received almost \$4M over the past 4 years), along with potentially lower support across all categories will most likely lead to decreased overall support from Federal sources. We are expecting about \$500K in USDA Food Service Revenues, about \$500K in ESEA Title Grant Funding, maybe \$750K in IDEA Special Education Support, about \$500K in HHS Medicaid Reimbursements, and maybe \$250K from Other Federal Sources. That adds up to about \$2.5M in total Federal funding, and we would expect to maintain that basic level of support next year, as those funds are allocated as part of this year's Federal budget. However, future Federal funding for traditional public education is much more in doubt, as the current Administration has stated that they would like to downsize and/or eliminate the Department of Education, cut programs that promote diversity, equity and inclusion, rollback programs that support disadvantaged and low income students, promote school choice and private school vouchers, and overall push the responsibility for funding and overseeing public education back to the State and Local levels. It remains to be seen if this will happen and what it will look like, but one thing is certain, Federal funding for traditional public education is more uncertain than it has been in several decades. Decreased Federal support for schools puts more pressure on State and Local resources to make up for a Federal shortfall.

In summary, we are expecting a slight increase in local funding that will hopefully offset any decreases realized in State and Federal support, with about \$62M in total revenues expected. Local revenues are pretty much locked in right now and the picture for State and Federal funding should become clearer in the next few months. I will keep you updated as we move through the spring and into summer regarding revenue forecasts and their impact on our budget and financial projections. If necessary, we will make any spending adjustments, as needed, to help ensure that we live within our means, continue to balance our budget, and minimize any projected deficits and use of existing funds to balance reserves as much as possible. As always, please let me know if you have any questions. Thank you.