

What Are The Provisions for Filing The Annual Budget and Deficit Reduction Plan with ISBE?

Section 17-1 of the School Code (105 ILCS 5/17-1), includes the requirement that the school district's adopted (or amended) annual budget must be filed with ISBE within 30 days of local board action. This is in addition to: (1) filing a certified copy with the county clerk(s); and (2) posting the budget on the district's internet website, if created.

The provision has an additional requirement that to the extent the school district's budget is not balanced; the local school board must also formally adopt a "deficit reduction plan" to balance the budget within three years. The deficit reduction plan is based on ISBE guidelines and must be filed concurrently with the adopted annual budget.

Also refer to pages 5 and 6 of this handbook for additional information on filing and posting the adopted budget.

What Is A Deficit Reduction Plan?

A deficit reduction plan is necessary if the local school board adopts (or amends) the annual budget in which the "operating funds" (Educational; Operations & Maintenance; Transportation and Working Cash Funds) result in total direct revenues being less than total direct expenditures by an amount greater than one-third (1/3) of the ending fund balance (June 30). Note - amounts are determined using only the four funds listed above. If the estimated ending fund balance is not greater than three times the deficit spending, the district must also adopt and file with ISBE a deficit reduction plan to balance the budget within three year. The deficit reduction plan must be developed using ISBE guidelines and format.

Example: By combining the four operating funds, the result is total direct revenues equal \$2,500,000 and total direct expenditures equal \$2,750,000. The combined ending fund balance in the operating funds (June 30, annually) must be at least \$750,000 (three times the deficit of \$250,000). If not, a deficit reduction plan is required.

Deficit Reduction Plan Guidelines

Budgetary Targets - The deficit reduction plan should be developed around targeted revenues and expenditures that reduce the combined annual deficit in the operating funds. Using forms provided by ISBE, the estimated budgets for the current budget year and next three school years are to be completed.

Operating Funds Included Within The Plan:

(10) Educational

- (20) Operation & Maintenance
- (40) Transportation
- (70) Working Cash

Current School Year – The remainder of the current year’s budget should be examined for expenditure reductions such as a freeze on hiring, supplies and capital outlay. The budget estimates should be verified as this information will serve as baseline data for assessing changes in the remaining years of the deficit reduction plan.

Subsequent Years – For the next three school years, the budget figures should reflect a material reduction of the district’s combined operating deficit. An estimate, by fiscal year and fund, is to be completed and constitutes the primary representation of the multi-year deficit reduction plan. A review of the district’s fee structure/policy should also be made to determine estimated collections in future years.

Narrative of Budget Reductions/Assumptions – A brief description should be included to identify any areas of the budget that will be impacted from one year to the next. If the deficit reduction plan relies upon new local revenues, identify contingencies for further budget reductions which will be enacted in the event those new revenues are not available.

Assumptions should include the change in foundation level for General State Aid, change in equalized assessed valuation/tax rates, adjustment to salaries/benefits and any debt instrument which will be relied upon during the course of the deficit reduction plan.

Educational Impact - Provide an assessment of the impact the deficit reduction plan may have on the educational mission of the district. Discuss the extent of any educational courses and services which will be reduced. Provide assurances concerning the district’s ability to meet the minimum requirements of state/federal law and sound practices with regard to educational services.

What Format Is Used?

ISBE provides the School District Budget Form (ISBE 50-36) and deficit reduction plan in a Microsoft Excel 97-Excel 2003 workbook version. The Agency will support only Excel Version 97 (and higher) running under Windows 2000 or higher. The forms are available at the ISBE website <http://www.isbe.net/sfms/budget/default.htm>.