



PROSPECT HEIGHTS DISTRICT 23 FINANCE COMMITTEE INFORMATION ITEM

Date: January 6, 2025

Title: 2025-26 Preliminary Budget Guidelines and Assumptions

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BACKGROUND INFORMATION

Budgets are estimates of projected revenues and expenditures for a specified period of time. For school districts this is a one-year period (fiscal year), which runs from July 1 through June 30.

In December 2024, the Board of Education approved its 2024 Property Tax Levy and continues to maximize funding to the Education Fund.

The District continues to look at increasing efficiencies across all programs. Currently, budgeted Operating (10, 20, 40 and 70) fund revenues for FY25 are estimated at \$28,232,439.00. Budgeted Operating and fund expenditures for FY25 are estimated at \$27,565,657.00.

Projections as of January 31, 2025 show revenues largely coming in as projected and spending on track with prior years. As we work to close out the fiscal year, we will continue to keep the Board informed of the progression of all revenue receipts.

In an effort to rebuild the existing fund balances, the Administration is targeting an annual operating fund surplus of no less than \$500,000. This will be realized through thoughtful staffing and a 5-10% reduction in building and departmental budgetary line items.

ADMINISTRATIVE CONSIDERATIONS

The Board of Education has authorized the development of the District's budget for the 2025-26 fiscal year.

Based on changes in economic conditions at the local, state, and federal level, these estimates are subject to change since many factors that impact the new budget are unknown during the

early stages of its development. As financial data is updated, we will adjust the District 23 budget accordingly.

Listed below are the guidelines, assumptions, and parameters that will be used in developing the 2025-26 budget:

REVENUE ASSUMPTIONS

- Evidence-Based Funding (EBF) consolidates and replaces five grant programs: General State Aid, Special Education Personnel, Special Education Funding for Children Requiring Services, Special Education Summer School, and English Learner Education. EBF distributes these funds through a single grant, called the Base Funding Minimum. EBF funding for the 2025-26 school year is expected to reflect minor increases.
- We continue to receive quarterly grant revenue on a reimbursement basis from our available funding. As was the case with FY25, we will allow for the rollover of unused grant funds to be spent in FY26 but are pushing for the prompt reconciliation for year-end expenditures.
- The Equalized Assessed Valuation (EAV) for 2023 was \$685,949,160 up from 2022's EAV of \$667,751,656.
- Next year's overall tax receipts are based on the Consumer Price Index (CPI), the estimated new growth to the tax base, the impact of tax caps, and refunds and will be limited by PTELL.
- The Consumer Price Index (CPI) reported as of December 31, 2024 is 2.9%. As we are subject to the Property Tax Limitation Law, our property tax revenue increase due to CPI will be limited to CPI.
- Interest rates on investments continue to remain relatively low. During 2025-26 it is anticipated that post-pandemic interest rates will level off and remain flat, but we will continue to monitor the market's volatility through PMA.
- Property taxes are the District's largest source of revenue for 2025-26. While we have enjoyed historical collection rates of 99% - 102%, the recent Cook County delays in processing property taxes have caused us to take a more conservative approach. In 2025-26 we will be budgeting our tax revenue at 95% to account for any unanticipated delays and refunds.
- Corporate Personal Property Replacement Tax (CPPRT) is currently estimated to remain flat, following a reduction in FY25. Updates from the Department of Revenue prior to the final budget adoption will inform any adjustments.
- Instability of Federal funding in relation to the Trump Administration may result in an impact on future resources and will be closely monitored.

STAFFING

- The staffing calendar identifies the dates that staffing decisions are scheduled. As specific staffing decisions are made, adjustments will be incorporated in the budget.
- For the purposes of the development of the preliminary 2025-26 budget, staffing has been determined based on estimated student enrollment, program needs, and funding sources.
- Review and plan for reallocation, attrition, and efficiency of operations based on program needs and funding sources. At this time, four full-time (three certified and one ESP) staff members will be retiring at the end of the 2025-26 school year.
- At the February 13, 2025 Board meeting, the proposed staffing plan for the 2025-26 school year was approved which reflects an approximate savings of \$80,636 in staffing costs.

SEIU Custodial Association (SEIU) Staffing

- Review and plan for reallocation, attrition, and efficiency of operations based on program needs and funding sources.

Educational Support Staffing

- Review and plan for reallocation, attrition, and efficiency of operations based on program needs and funding sources.

BUDGET ADJUSTMENTS

- In general, line items for purchased services, supplies, and equipment are being reduced by approximately 10%, as compared to the 2024-25 amounts.
- To support programmatic needs, the following adjustments will be made to the 2025-26 Budget:
 - The Per Pupil Allocation has been reduced by 10% for building discretionary spending. The new rate of \$170.00/student will be in place for the 2025-26 school year. As we have eliminated the practice of allowing for budgetary carryovers, principals have been encouraged to spend their budgets thoughtfully and within the appropriate school year.
 - We will continue the non-discretionary set aside amount equal to 25% of the Cost Per Pupil (\$42.50/student) for furniture replacements. We will also continue to budget an additional non-discretionary allocation of \$50,000 for the District-wide Furniture Replacement Plan to be split between the buildings based on a per-pupil basis.

SPECIAL EDUCATION

- 2025-26 NSSEO tuition costs and programs are being reviewed and budgeted by NSSEO. Final NSSEO program costs will reflect necessary changes with the member districts' shares being budgeted by each district.
- Administration will continue to budget for the needs of its current Special Education population. Additional funds will be allocated in the Special Education functions for unanticipated student outplacements and obligations.

CAPITAL PROJECTS

- Pending a successful referendum in April, capital projects will largely consist of the Eisenhower Early Learning Expansion work and be funded largely by the Spring 2025 debt certificate proceeds.
- Fund 20 projects for 2025-26 will include ongoing facility maintenance and repair work with the budget remaining flat.

TECHNOLOGY

- Technology Services is anticipating continued replacement and updates of equipment and applications during 2025-26.
- Ongoing cabling, network upgrades, replacements of access points, staff and student devices, and continued support of instructional software needs remains a priority and will be budgeted with existing allocations.

TRANSPORTATION

- The transportation contract with First Student was re-negotiated for an additional two-year term, effective August 1, 2024.
- For 2025-26, increases in student transportation costs will be budgeted at a 4.25% increase based on our current contract, fuel costs and usage of taxi transportation for SPED and McKinney-Vento students.
- A potential reduction of Transportation revenues continue to be a concern based on State transportation revenue proration and reductions.
- Administration continues to review options for student transportation cost containments through route refinements and pairings.

TRANSFERS, LOANS, AND ACCOUNTING RECOMMENDATIONS

- A transfer from Operations and Maintenance to the Capital Projects Fund may be recommended for the funding of future capital projects.
- Transfers of Working Cash to other funds may be recommended to address cash flow needs.
- The State of Illinois makes employer pension contributions directly to Teachers' Retirement System (TRS) on behalf of the District. Since the District has no responsibility in oversight of the process and the net effect on the annual budget is \$0,

the District will not include an estimate for these “on-behalf” receipts and disbursements in its budget.

- Through the RFP process, the District has selected a new auditor, Evans, Marshall and Pease at an annual reduction of approximately \$20,000.

RECOMMENDED ACTION

That the Board of Education approves the proposed guidelines, assumptions and budget adjustments relative to the preparation of the 2025-26 fiscal year budget.