3 things to know from Linda McMahon's FY 2026 testimony – *May 21, 2025*
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The education secretary fielded questions on Capitol Hill about school choice, literacy achievement and closing the Education Department.

U.S. Education Secretary Linda McMahon defended the Trump administration's proposed spending plan for fiscal year 2026 at a House hearing in Washington, D.C., on Wednesday, saying the budget will "shrink federal bureaucracy, save taxpayer money and empower states."

The funding proposal also prepares for the eventual closure of the U.S. Department of Education, McMahon told members of a House Appropriations subcommittee during her first congressional budget hearing as education secretary.

"It is the mission to shut down the bureaucracy of the Department of Education," said McMahon, who added several times during the 2 1/2 hour hearing that she would work with Congress to close the agency.

A top-line "skinny" budget proposal released May 2 calls for a $4.5 billion cut from the current K-12 spending plan, which calculates to a 15% reduction. It proposes maintaining spending for Title I, Part A and for the Individuals with Disabilities Education Act while consolidating or eliminating other programs' grants. Only money for charter schools is recommended for an increase.

McMahon said the spending reductions are realized by eliminating duplicative or ineffective programs, reducing regulatory compliance, and giving states more flexibility in how they dedicate those dollars.

But Democratic lawmakers pushed back, saying a retreat in federal education funding and oversight would lead to fewer resources and protections for public school students.

"Almost always when we talk about block granting programs, we make very, very substantial, substantive cuts in the availability of resources for the programs that are covered," said Rep. Steny Hoyer, D-Md.

McMahon said some state education leaders are calling for less federal interference. "I think we're going to see more money available in the states with less red tape," she said.

The Trump administration is expected to release a more detailed budget with spending and reduction justifications soon. FY 2026 starts on Oct. 1

Here are some other highlights from the budget hearing held by the House Appropriations Subcommittee for the Departments of Labor, Health and Human Services, Education, and Related Agencies.

"We are going to abide by the law"
Although the hearing was held to discuss the FY 2026 budget proposal, several lawmakers asked McMahon about the significant spending and workforce cuts taking place during the current fiscal year.
In the early months of the Trump administration, the Education Department has cut its workforce by half; canceled hundreds of millions of dollars in research, mental health and teacher preparation grants; and asked states to reapply for extensions for pre-approved COVID-19 emergency funds.

“The administration is recklessly and unlawfully freezing and stealing congressionally appropriated funds from agencies, programs and services across the government that serve the American people,” said subcommittee Ranking Member Rosa DeLauro, D-Conn.

DeLauro also said she would challenge efforts to close the Education Department, adding it would not happen “on our watch.”

McMahon said the agency is evaluating every single program “carefully” as it chooses to discontinue funds.

Later, when DeLauro asked if McMahon was going to follow the FY 2025 spending plan as approved by Congress, McMahon said, “We are going to abide by the law.”

Expanding school choice

McMahon said one of President Donald Trump’s priorities for education is “making sure that no student is imprisoned, if you will, in a failing school” and that he is “absolutely focused” on providing school choice for parents so “children have the right to an education that is best for them.”

The secretary told lawmakers that the Education Department would support school choice through an increase in charter school funds and through federal block grants to states, and that state leaders would determine how best to use those funds.

Several Republican members praised the efforts to give parents more educational options for their children. Subcommittee Chair Robert Aderholt, R-Ala., said student achievement has not increased despite a rise in federal education spending.

“Students need reading, writing, math and critical thinking for everyday activities to succeed in their jobs and to make life’s big decisions,” Aderholt said. “Too many schools, encouraged and facilitated by federal funding, have let things like social justice advocacy, divisive issues crowd out the focus on teaching students and the core subjects.”

However, several Democratic lawmakers voiced support for prioritizing the public education system.

“I am not opposed to parents using their own money to send their children to private school, but it is a strong public school education system that ensures that every child, no matter their background or ZIP code, has a fair shot at success,” said Rep. Lois Frankel, D-Fla.

Focusing on literacy

McMahon said a core reason for students’ lackluster academic performance is poor reading skills.

“We’ve lost the fundamental basics,” McMahon said, such as the science of reading, which includes phonics, understanding and fluency in reading. “Because if we can get that right, I think we’re going to see a great deal of improvement in our schools across our country, but we’re not doing it.”

McMahon spoke about the Mississippi “miracle,” or how the state of Mississippi made significant gains in reading performance through science of reading approaches. Rep. Andy Harris, R-Md., said the state also didn’t automatically promote 3rd graders to 4th grade who couldn’t read.

“If you don’t read by the end of the 3rd grade, forget it. Everything beyond there requires reading skill,” Harris said.

But DeLauro said the elimination of grants to study literacy and other academic improvements and the planned block granting of some federal funds is “beyond distressing.”

Rep. Madeleine Dean, D-Pa., also voiced frustration to McMahon.

“You think the federal Department of Education is not living up to what it ought to be doing, and you cite some statistics for students who are not doing as well as they ought to be,” Dean said. “And yet, you decide that the answer to that is not to check on these investments and make sure students are achieving. It is to shut the whole doggone thing down. That doesn’t make any sense.”

‘A shell of itself’: Federal judge pauses efforts to wind down Education Department – *May 22, 2025*
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Public school supporters praise the ruling, while the agency promises to immediately challenge the preliminary injunction.

The U.S. Department of Education is temporarily barred from carrying out an executive order to shut down the agency and must reinstate employees who were fired as part of a mass reduction in force in March, a federal judge ruled Thursday.

In the preliminary injunction in State of New York v. McMahon, U.S. District Judge Myong Joun ordered that the department be “restored to the status quo” prior to the day President Donald Trump retook office.

The agency’s actions since show no evidence that its workforce reductions have improved efficiency or that the agency is making progress in working with Congress to close the department, Joun said.

“The supporting declarations of former Department employees, educational institutions, unions, and educators paint a stark picture of the irreparable harm that will result from financial uncertainty and delay, impeded access to vital knowledge on which students and educators rely, and loss of essential services for America’s most vulnerable student populations,” his ruling stated.

Joun also said the Education Department is prohibited from carrying out President Donald Trump’s March 21 directive to transfer management of the federal student loans portfolio and special education management and oversight out of the Education Department.

“A department without enough employees to perform statutorily mandated functions is not a department at all,” Joun wrote. “This court cannot be asked to cover its eyes while the Department’s employees are continuously fired and units are transferred out until the Department becomes a shell of itself.”

The preliminary injunction requires the agency to submit a report to the court within 72 hours of the order, outlining all the steps it is taking to comply, and to do so “every week thereafter until the Department is restored to the status quo prior to January 20, 2025.”

Thursday’s ruling is a setback to the Trump administration’s goals of reducing the size and scope of the federal government. The ambitions are to give more flexibility and decision-making power to the states, supporters of the administration action said.

Madi Biedermann, deputy assistant secretary for communications at the Education Department, said the agency will challenge the ruling “on an emergency basis.”

“Once again, a far-left Judge has dramatically overstepped his authority, based on a complaint from biased plaintiffs, and issued an injunction against the obviously lawful efforts to make the Department of Education more efficient and functional for the American people,” Biedermann said in an emailed statement Thursday.

Biedermann added, “This ruling is not in the best interest of American students or families.”

Public school supporters, on the other hand, celebrated the ruling.

“Today, the court rightly rejected one of the administration’s very first illegal, and consequential, acts: abolishing the federal role in education,” said Randi Weingarten, president of the American Federation of Teachers, in a Thursday statement. Most Americans and states “want to keep the education department because it ensures all kids, not just some, can get a shot at a better life,” she said.

The legal challenge began March 13, when the attorneys general in 20 states and the District of Columbia sued the Education Department to halt the mass workforce reductions announced March 11.

About half of the agency’s 4,133 employees were let go or accepted buy outs. Almost a third of the affected employees had worked in one of three offices within the Education Department: Federal Student Aid, the Office for Civil Rights and the Institute for Education Sciences.

Later that month, Trump signed an executive order at a White House ceremony that directed U.S. Education Secretary Linda McMahon to begin closing down the agency to the “maximum extent appropriate.”

“My administration will take all lawful steps to shut down the department,” Trump said at the March 20 signing ceremony. “We’re going to shut it down, and shut it down as quickly as possible.”

McMahon, during several appearances on Capitol Hill, has acknowledged that only Congress has the authority to close the agency and said she is working with lawmakers to do so.

Cuts to school mental health grants could trickle down to local districts – *May 26, 2025*
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The Trump administration's cancellation of mental health program grants could significantly affect suburban schools.

The U.S. Department of Education notified the Illinois State Board of Education late last month it is halting funding for two grant programs established under the Biden administration.

Murray Bessette of the U.S. Department of Education’s office of planning, evaluation and policy development stated the grants violate federal civil rights law and conflict with the department's commitment to “merit, fairness and excellence in education.”

One of the grants, the School-Based Mental Health Services Grant Program, provided ISBE initially with $2.97 million in fiscal year 2022 to increase the number of credentialed mental health service providers for students, according to the U.S. Department of Education. That was extended to the end of 2025 and the total obligations were increased to $6.2 million, according to HigherGov.

The other, the Mental Health Service Professional Demonstration Grant program, allocated $1.2 million in fiscal year 2023 to support partnerships with higher-learning institutions for training school-based mental health providers, according to the U.S. Department of Education.

“We are reviewing the letters and evaluating next steps,” ISBE spokeswoman Lindsay Record said.

Some districts already have felt the impact from withdrawn federal funding. Crystal Lake Elementary School District 47 learned April 29 its $5.6 million Project LAKE grant, which supported students' emotional well-being through staff positions and free teletherapy services, will end in January.

This decision came as the Trump administration decided to stop funding $1 billion in grants from the 2022 Bipartisan Safer Communities Act, passed after the Uvalde school shooting. These grants included the Stronger Connections Grant, which had mental health components.

The Stronger Connections Grant made available up to $40 million to local education agencies providing free and reduced-price lunches to at least 40% of its student population.

According to an ISBE list, around 600 Illinois schools were eligible to receive the Stronger Connections Grant.

Wheeling Township Elementary District 21 received approximately $350,000 over two years through the program. The district used these funds to address chronic absenteeism and expand its family learning program by employing attendance liaisons who work directly with families of chronically absent students.

“Anytime there are additional funds that school districts can leverage to increase wraparound services for our families, those are positively impactful,” District 21 Superintendent Michael Connolly said. “A kid comes to school and whatever their particular experience is following them, they don't leave that at the door.”

District 21's funding appears secure for now as the funds were already committed through prior budgets and flow through the state.

Grant Community High School District 124 in Ingleside received $221,635 under the Stronger Connections Grant Program, but it remains uncertain if these funds have been discontinued. The district's program provides mental health services through Illinois-licensed clinicians offering both in-person and telehealth options. Families also receive access to a Care Navigation team to connect with appropriate services.

As of last month, District 124 facilitated 84 treatment sessions, with each student or family receiving up to six free, 50-minute sessions including counseling, crisis intervention and medication management.

Illinois Superintendent of Education Tony Sanders in March received an informal communication from a career employee indicating that the entire State and Grantee Relations office has been reduced.

“This office provides guidance and support that helps Illinois and other states receive federal funding. The employee said there was no guidance on how to ensure the state continues receiving payments for programs,” he said in a statement. “This is the extent of the information ISBE has available at the moment, and it is deeply concerned about the potential implications.”

On March 28, the Trump administration revoked approval for $77.25 million in federal pandemic relief funds intended for Illinois' highest-need students, reversing a previous decision that gave districts extra time to spend the funds.

Sanders called this “a devastating blow to the students and schools that were relying on these approved funds to provide critical services.”

However, Illinois received temporary relief when U.S. District Judge Edgardo Ramos issued a preliminary injunction allowing states additional time to spend their allocated funds.

Overall, Illinois was expected to receive around $3.56 billion in federal funding in fiscal year 2025, according to state records.

New taxes on sports bets, nicotine products as Democrats pass $55.2B budget – *June 1, 2025*
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Spending plan raises over $1B in revenue; income, sales taxes not affected

SPRINGFIELD – Giving almost no time for public review, Illinois Democrats pushed through a $55.2 billion budget for next fiscal year late Saturday, bolstering coffers with new taxes on sports bets, nicotine products and businesses.

The $55.2 billion spending plan is supported by $55.3 billion of revenue, including just over $1 billion in new taxes and revenue changes.

The four bills making up the budget and capital spending plan, were part of a flurry of thousands of pages of legislation that went from introduction to passage in the final 48 hours of the legislative session.

The budget marked a roughly 3.9% spending increase from the current year, while Republicans criticized it for containing few cuts. It raises about $500 million more in new revenue than what Gov. JB Pritzker proposed in February to make up for declining base revenues.

The minority party also aired frustration with supermajority Democrats for providing next to no time for public review of the massive spending plan and other major bills.

"We're rushing this process like we always do. 'Let's hide this stuff. Let's hide it so that the public doesn't see it until it's too late,'" Rep. John Cabello, R-Machesney Park, said.

Democrats said it was the best budget they could manage in a difficult year. To address potential uncertainties stemming from federal policy changes, they gave the governor authority over a new $100 million "emergency" fund. And they frequently lobbed criticisms at President Donald Trump and Republicans in Congress.

"I am very pleased to be able to present a balanced budget crafted to be fiscally and socially responsible, because we see the decisions made in Washington right now are neither," House Majority Leader Robyn Gabel, D-Evanston said. "Erratic leadership in Washington has affected our economic outlook, our revenue projections, and even threatened federal funding for our most crucial services."
The GOP also took issue with the tax increases, although the measure did not raise or create new sales, income or service taxes.

Instead, the measures expand state taxes on foreign and out-of-state income for businesses, raise tax rates on tobacco, vapes and sports gambling, and sweep fund balances from several lesser-known and utilized state funds.

The spending measure, Senate Bill 2510, passed the House 75-41 just before 10 p.m. The Senate followed around 11:30 p.m. with a 34-23 vote. The revenue and tax changes, House Bill 2755, and the budget implementation bill, House Bill 1075, both passed with relative ease before the constitution's midnight deadline and only Democratic votes as well. Gov. JB Pritzker issued a statement saying he would sign it.

Another spate of tax increases included in a transit governance overhaul bill surfaced late but sputtered. The failed measure would have added a $1.50 fee on food and package deliveries and taxed electric vehicle charging statewide among other changes. Talks on that bill could resume later this year.

New taxes on vaping, gaming, deliveries
The revenue bill creates a tax of 25 cents per wager for a sports betting licensee's first 20,000 wagers accepted, and 50 cents per wager after that.

Consumers will also see new taxes on tobacco products. The tax rate will rise to 45% from 36%. Vape products and nicotine pouches would also now be included under the tax.

The revenue plan amends state law to tax sales from all businesses that transact in the state, rather than only businesses with a physical presence in Illinois. The plan also eliminates a “safe harbor” exemption for businesses that move money outside the state.

Businesses that move profits to other countries would also be subject to the state’s corporate income tax. The federal government currently taxes half of income moved offshore and Illinois would tax the other half under the revenue plan.

Businesses outside Illinois that sell $100,000 or more to people in the state must also collect Illinois sales taxes even if the business doesn’t have a physical location in Illinois. This would apply to businesses like Amazon.

“I will not support this betrayal of hard-working Illinoisans,” Sen. Don DeWitte, R-St. Charles, said. “And if you care about the people who sent you here, if you truly represent them, you’ll vote no too. Enough is enough. It’s time for this body to stand with taxpayers, not stand up against them.”

Another source of new revenue is a delinquent tax payment incentive program designed to help the state recuperate overdue tax payments. It will generate $228 million, Rep. Will Guzzardi, D-Chicago, said.

The state would also pause the final transfer of motor fuel sales tax revenue to the road fund in order to free up $171 million, according to the governor’s office’s estimate.

A separate bill designed to lower prescription drug prices calls for levying a fee on pharmacy benefit managers based on the number of patients they insure. Money from that fee would go into a fund for the Department of Commerce and Economic Opportunity to award up to $25 million a year in grants to independent pharmacies and pharmacies located in rural counties. The remaining money would go to the state’s general revenue fund.

The measure also extends the state’s Hotel Operators’ Occupation Tax to short-term rentals like Airbnb and Vrbo.

Immigrant health cuts

A controversial program that provides health insurance to more than 30,000 noncitizens between ages 42 and 64 will be cut in FY26. The program’s elimination saves the state $330 million, but a $110 million program for seniors will remain in place.

Together, the two programs have cost the state at least $1.6 billion, according to an audit released in February, far exceeding budgeted costs for the program.

“We had to make some tough decisions here. That program grew at greater rates, financially, than we thought it would, and we had to make some hard decisions,” Gabel said.

Federally Qualified Health Centers are set to receive $40 million in the budget. The centers provide health services to low-income and uninsured people. Democrats touted that increase to provide care for immigrants who would have qualified for the health care program.

Illinois still risks losing some Medicaid funding under a proposal in Congress that threatens to slash reimbursements for states that provide health insurance to people illegally in the United States. But Gabel noted it’s possible those reductions won’t take place until 2027.

The budget also increases funding for safety-net hospitals with federal Medicaid funding cuts possible.

Education spending

The state’s evidence-based funding model for K-12 schools calls for $350 million in additional funding each year, with a portion of that going to a property tax relief fund and the rest directly to schools. The proposed budget fully funds the

K-12 education portion at $307 million but does not add $43 million in property tax relief funds, according to Democratic leaders.

Funding for the Illinois Community College Board would also decrease by $24 million, mostly because lawmakers reduced spending on a workforce development grant that Democrat leaders said was not being fully utilized.

Funding for state universities would only increase by 1%. Pritzker proposed a 3% increase for higher education even as most other areas of his budget would've increased by 1%. Senate Democrats' budget leader Sen. Elgie Sims, D-Chicago, said the budget allows for an additional 2% increase in FY26 if the federal government eliminates substantial funding.

Pensions

Despite more than a year of discussions, Illinois lawmakers did not tackle pension reform this spring. Illinois' Tier 2 pension system is likely out of compliance with Social Security's "safe harbor" law that requires pension benefits to be at least equal to Social Security.

Part of the budget package created a new Tier 2 reserve fund that can be accessed if there are violations of the "safe harbor" law. Lawmakers appropriated $75 million for the fund this year, in line with Pritzker's proposal.

'Emergency' fund, raises, more

Notably not in this year's budget is an increase to the "rainy day" fund. Pritzker has taken pride in the fund's increases in recent years, as it's grown to a balance of $2.3 billion, up from less than $60,000 when Pritzker took office. The FY26 budget would suspend the monthly transfer for one year, freeing up $45 million for general fund use.

The budget package also establishes a new $100 million fund that the governor can tap into "in the event of unanticipated delays in or failures of revenues." The measure, an apparent nod to the uncertainty of federal funding amid ongoing congressional budget negotiations, will come from money swept from other funds.

"That will allow us to respond to actions by the federal government and challenges that present themselves and costs that have been diverted from the federal government to the state government," Sims said in a committee hearing.

The attorney general's office would get $116 million from the general fund. Attorney General Kwame Raoul asked lawmakers to boost funding for his office as he engages in a growing number of lawsuits against the Trump administration. Raoul was hoping to receive $120 million in funding.

Direct service providers are in line for an 80-cent per hour wage increase, but Republicans said calling it a funding increase is "sleight of hand," because the measure would also reduce work hours for DSPs by the hundreds of thousands. That makes the increase negligible, Sen. Chapin Rose, R-Mahomet, said in committee.

"It's not a great budget, but it is a good budget and it is the budget we need for this very difficult moment," Rep. Lindsey LaPointe, D-Chicago, said.

Lawmakers will see their salaries rise as part of the budget, going to a $98,304 base salary from roughly $92,000. That's an annualized rate of increase that is set by law.

"You raised our pay, you gave yourselves hundreds of millions of dollars of our taxpayers funds to spend on your pet projects," Rep. Amy Elik, R-Godfrey, said. "So I simply don't believe you anymore that you ever intended to be fiscally careful."

No Bears stadium funding

Lawmakers did not appropriate funding for the Chicago Bears to build a new stadium. But NASCAR would be the recipient of a $5 million grant ahead of the sport's third downtown Chicago race in July, and the PGA Tour would receive a $1 million grant as part of hosting the 2026 President's Cup in DuPage County. Those were two economic development measures criticized by Republicans during the Senate committee hearing.

The budget also contains $200 million to prepare unused state properties to be repurposed for development, Sims said. Lawmakers removed another $300 million that Pritzker had sought in spending aimed at offloading surplus property.

Gabel said the state's employee management department has negotiated more than $100 million in health care cost savings as well.

Any remaining federal pandemic relief funding would also be sent to recipients that have not received payments in previous years before the funding expires in 2026.

From Budget Wins to Policy Loops: Final Week Under the Dome

Written by: Emily Warnecke and Distributed Online by IASBO through the Advocacy Alert Email on June 2, 2025

The final week of the Illinois legislative session felt less like a sprint and more like a roller coaster, complete with sudden drops, hairpin turns and a few loop-de-loops that left even seasoned Capitol observers dizzy. There were late-night committee hearings, floor debates that ran into the early hours and the usual flurry of last-minute amendments, sponsor swaps, resuscitated bills and the kind of strategic vote-trading that only Springfield in May can deliver. As the cars finally screeched into the station late Saturday night (or rather early Sunday morning), lawmakers had passed a budget and tied a bow on several policy issues, though not without a few white-knuckle moments along the way. It was a whirlwind finish to a fast-paced session. Buckle up as I walk you through (some of) the events that unfolded last week in the Spring session's final Advocacy Alert.

Fiscal Year 2026 State Operating Budget

The Fiscal Year 2026 appropriation bill was filed on a shell of SB2510 after 6 p.m. on Friday, with few surprises compared to the Governor's proposed budget from February. The total revenue projections were reported to be roughly $55.4 billiion. The budget proposed $55.2 billion in expenditures, solidifying the "tight budget year" we have been hearing about for several months. The bill was heard in the House Executive committee after 9 p.m., where Democrat leaders faced several hours of questioning from Republicans on the content of the package. Ultimately, the bill underwent several revisions before passing the House late Saturday night as House Amendment 3 , and was then sent to the Senate, where it was passed around 11:30 p.m. The Fiscal Year 2026 budget provides for an additional $275 million in General Revenue Funds for K-12 education over the Fiscal Year 2025 funding level. Below are the highlights and in-depth information about some of the high-interest line items of the education budget:

Highlights of Fiscal Year 2026 Education Budget Increases Over Fiscal Year 2025 Funding Levels

- $307 million increase for Evidence-Based Funding
- $20 million increase for Mandated Categorical Programs (orphanage only)
- $10 million increase for After School Programs
- $6 million increase for After School Matters
- $5 million in new programming for Teacher Mentoring (IEA)
- $1.3 million increase for Career and Technical Education
- $1.5 million increase for Implementation of the Comprehensive Literacy/Numeracy Plans

Evidence-Based Funding

Despite a tight budget year where some programs received flat funding or even cuts, the General Assembly continued to signal its strong support for equitable funding for K-12 schools by allocating an additional $307 million for EBF. $300 million is expected to be distributed through tier funding and $7 million will be allocated for regional safe schools. The Property Tax Relief Grant did not receive its annual $50 million increase, effectively pausing the program for at least one year. Districts that received the grant last year will still have it this coming year, but no new applications will be accepted for Fiscal Year 2026. During committee, it was stated that there is a belief that the program has not functioned as it was originally intended, so there is a desire to review it this year during the pause to determine if changes are needed.

Mandated Categoricals (MCATS)
The General Assembly accepted the Governor's proposal for MCAT funding, resulting in increases to orphanage line items only. Increases totaling $20 million will ensure those lines continue to be funded at 100 percent ($7 million for the orphanage and $13 million for the special education orphanage). However, line items for private facility tuition, special education transportation and regular transportation received no increases. Estimates from ISBE suggest that with flat funding for the other line items, coupled with the expected increases to claims for Fiscal Year 2026, Regular Transportation funding proration will fall to 71 percent and Special Education Transportation proration will fall to 61 percent. Private Facility Tuition funding is too variable to estimate at this time due to the pending changes to the process to allow for tuition reimbursement for students who attend public day facilities.

Teacher Vacancy Grant Pilot Program
This program, which has been funded at $45 million for the last two budget cycles, was funded again for Fiscal Year 2026, but at a lower amount. Funding of $30 million was allocated, likely resulting in changes to allocations for the districts that have been receiving this grant.

After-School Programs
The Fiscal Year 2025 budget saw an increase of $50 million for After School Programs, which was added as a separate line item from the traditional $25 million allocated for this purpose. Due to administrative issues with allocation authority, ISBE was not able to disperse dollars under the newly created line item. This year, the Fiscal Year 2026 budget includes a $10 million increase over the $25 million original line item, bringing the total for program allocation to $35 million for the upcoming school year.

Pensions
After several years of warning about a potential violation of the Social Security Safe Harbor standard, the budget included funding to "fix" the issue. Specifically, Democrats signaled that $75 million would be included to address the concern, but were vague on the details of how that would be achieved. In the final version of the BIMP, language was included to allow for transfer of up to $75 million from the General Revenue fund to a newly created Social Security Wage Base Reserve Fund (described below).

Budget Implementation Bill (BIMP)
While the appropriations bill designates the dollar amounts to be appropriated to certain programs, there is always a companion BIMP bill that contains legislative changes necessary to authorize the distribution of those funds. That bill was filed on Saturday morning on an amendment to HB1075 , and passed with only a few minutes to spare before midnight. The 700-page bill included language relating to Tier 2 pensions, Property Tax Relief Grants, Evidence-Based Funding and the submission of claims for Private Facility Reimbursement. The proposal underwent several amendments before landing on Senate Amendment 4 .

Tier 2 Social Security Wage Base Reserve Fund
As many of you are aware, there has been growing concern that Illinois' Tier 2 pension benefits may not meet the minimum retirement benefit requirements under federal law, specifically the Social Security "safe harbor" provision. This provision exempts public employees from paying SS taxes if their retirement system provides a benefit that is at least equivalent to SS. To proactively address this issue, the General Assembly used the BIMP to create the Tier 2 SSWB (Social Security Wage Base) Reserve Fund. This special fund in the State Treasury could receive money from any authorized source, including legislative appropriations, and would be used to cover the cost of adjustments needed to bring Tier 2 benefits into compliance with federal standards.

While the bill does not immediately increase Tier 2 benefits, it creates a financial mechanism to support future changes (such as raising the Tier 2 pensionable salary cap) should a federal determination conclude that benefits fall below the required threshold. If such a determination is made, the fund would provide supplemental payments to ensure affected employees receive the minimum benefit necessary to maintain exemption from Social Security (FICA) taxes. The legislation also includes a continuing appropriation to ensure funding is available for these purposes without requiring additional legislative action each year. This is an important step toward safeguarding both the State, public employers and Tier 2 members from the financial consequences of falling out of federal compliance.

Private Facility Tuition Reimbursement Claims

In anticipation of the changes to the private facility reimbursement allowance, the BIMP included language to allow for claims to be submitted through September 15 of this year, rather than August 15. The Administrative Rules for the new law passed last year, which will allow reimbursement for tuition costs for students who attend public day facilities, are set to be finalized this month. Given the potential for a quick turnaround for districts to be able to get approval for public day facilities through the required process, the claim submission timeline was extended by one month. Similarly, in anticipation of ISBE needing additional time to make determinations on the voucher amounts for each school district, the vouchers will now be payable in November, December and March, rather than in September, December and March.

Evidence-Based Funding (EBF) Formula

Two changes were made in the EBF statute through the BIMP. First, the requirement that funds be set aside for the purposes of funding the Property Tax Relief Grant in years where more than $300 million is added to the funding formula was removed. The language only eliminates the requirement for Fiscal Year 2026, so if there are to be any changes to the program or pauses in subsequent years, additional language would need to be filed in the next legislative session.

Second, the comparable wage index used to make determinations for the Evidence-Based Funding formula elements will now be developed through the University of Illinois, rather than relying on the original study conducted by Texas A&M University.

'This issue isn't going away': Illinois lawmakers delay pension reform again *– June 10, 2025*

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Fiscal year 2026 budget allocates money to address Social Security compliance concerns
SPRINGFIELD — Public employees hired since 2011 must continue to wait for pension reform after Illinois lawmakers declined to take up the issue during the spring session.

Lawmakers and labor unions have both expressed concern that benefits for Tier 2 employees – those who entered the public sector after 2011 – are inadequate and that some workers in that category are in line to receive benefits out of compliance with federal law.

Tier 2 benefits are less generous than those received by Tier 1 employees, who also had to work only five years to become vested compared to 10 years for Tier 2, but the state constitution prohibits diminishing benefits for people to whom they have already been guaranteed.

But problems have arisen from Tier 2, according to a coalition of labor unions seeking reforms, including that the lower level of benefits makes public sector jobs less attractive and hurts recruitment and retention.

'Safe Harbor' test

Illinois lawmakers have learned in recent years that Tier 2 benefits for some employees fail the "Safe Harbor" Social Security test, which requires that pension benefits be at least equal to Social Security benefits. If a pension system fails to meet that requirement, the employer must make up the difference.

Officials from pension systems have said falling short of Safe Harbor would be costly, though exactly how much so is unclear.

Despite more than a year of legislative hearings about pension reform and pushes to get it done in previous sessions, lawmakers left Springfield at the end of May without taking up the issue.

“This issue isn’t going away,” the We Are One Illinois coalition of labor unions said in a statement. “Public employees are leaving their professions and our state because they can’t rely on a pension that ensures dignity in retirement. Public employee shortages have been reported all across Illinois, impacting critical services for our residents. Delaying a fix only makes the problem more costly and damaging.”

The coalition said it was “inexcusable” that a proposal they introduced in the House during the final week of session did not receive a committee hearing.

Reforms that fell flat

Reforms filed in late May in Senate Bill 1937 would have accomplished several of the unions’ goals had they passed. Cost of living adjustments would increase 3% annually, and people would have been able to retire as early as age 62 if they had maxed out on their pension. Age 67 is the standard retirement age under Tier 2. Many police officers and firefighters would be able to retire at 52 rather than 55 following 20 years of service under the proposal.

To address the Safe Harbor issue, the bill called for increasing the limit on earnings for people entering the pension system between Jan. 1, 2011, and Jan. 1, 2027, to be equal to the Social Security wage base for that year. Beginning in 2027, the earnings limit could be no more than the Social Security wage base.

The final average salary calculation would also be redefined for Tier 2 employees. The current maximum salary for Tier 2 employees is more than $40,000 below the Social Security salary base and has increased at half the rate of inflation.

It’s not clear how much addressing the Safe Harbor problem or broader pension reform will cost, but prior estimates last year by the Commission on Government Forecasting and Accountability found it could cost $5 billion over the next two decades to tie earnings to the Social Security wage base and improve the annual cost of living adjustment. Lowering the retirement age could also cost about $3 billion over that span.

The bill also would have set a schedule to fully fund pensions by 2049, rather than reach 90% funding by 2045 as required by current law.

Why it stalled

The bill quickly fizzled out when it was introduced, however, despite garnering more than 40 House Democratic cosponsors. The governor’s office said the bill’s late introduction left little time for a full analysis, which in turn contributed to the bill’s demise.

“While we were provided with a short summary of their ideas, the governor’s office cannot and will not conduct any policy due diligence based on only a few bullets,” Alex Gough, a spokesperson for Gov. JB Pritzker, said in a statement. “When it comes to the long-term fiscal health of the state and meeting our pension obligations, the governor welcomes these discussions but will not make major financial decisions that impact taxpayers without the opportunity and time to review the details.”

The union coalition argued the governor’s office was part of discussions throughout the process.

“For more than a year, our coalition has engaged in good faith with lawmakers to address this critical issue,” the We Are One Illinois coalition said. “Throughout, we communicated consistently with the governor’s office and legislative leaders to develop a comprehensive, fiscally responsible solution that met their legislative criteria.”

Funding provided
Despite the reform's failure, lawmakers sought to address the problem with Safe Harbor in the budget. Part of the budget package created a new Tier 2 reserve fund that can be accessed if there are violations of the Safe Harbor law. Lawmakers appropriated $75 million for the fund this year, in line with Pritzker's proposal.

Other pension reform was passed for Chicago police officers and firefighters. Lawmakers unanimously passed House Bill 3657 that aligns calculations of Tier 2 benefits for Chicago first responders with those in the rest of the state. Chicago officials warned the plan will cost the city billions, however.

Both the budget and Chicago pension bill still need the governor's signature.

Pritzker signs $55.1B state budget reliant on $700M of new taxes *– June 16, 2025*
Written by; Ben Szalinski for Capitol News Illinois and Distributed by IASA Online through Eye on Education Email listserv at;
https://capitolnewsillinois.com/news/pritzker-signs-55-1b-state-budget-reliant-on-700m-of-new-taxes/

It's the largest budget in state history despite cuts and freezes

Gov. JB Pritzker signed Illinois' fiscal year 2026 budget into law Monday, taking shots at President Donald Trump's budget management to defend hard choices state lawmakers were forced to make this year.

The $55.1 billion spending plan set to take effect July 1 is the largest in state history and is supported by $55.3 billion in anticipated revenue, including more than $700 million in new taxes and more than $500 million in one-time revenues.

Democrats approved the budget shortly before midnight on May 31 with only a handful of Democrats opposing it and all Republicans unanimously voting against it.

The budget's passage came after months of discussion about closing an initially projected $3 billion deficit and growing concerns about Trump's treatment of state funding in Washington. Pritzker, a possible 2028 presidential candidate, used Monday's budget signing ceremony in Chicago as an opportunity to draw a contrast between his and Trump's budgets.

"While the Trump administration goes on Fox News lying about being fiscally responsible, Illinois is showing a better way: Balancing the budget while maintaining the programs that most people rely on," Pritzker said.

"Congress is about to pass a federal budget that has one of the largest budget deficits ever in a year without a war or a pandemic. By contrast, Illinois is balancing its budget and prudently improving its fiscal condition," he said.

Pritzker and other Democratic leaders acknowledged that crafting the FY26 budget was challenging but continues to make investments Democrats believe are priorities. Discretionary spending will increase by less than 1% in FY26, Pritzker said. Despite the minimal increase, the FY26 budget still spends about $2 billion more than FY25.

Democrats "ace the challenges and uncertainty head on, and the result is a budget that is truly balanced with no gimmicks," House Speaker Chris Welch, D-Hillside, said.

But that's not how Republicans view the budget's fund sweeps and delayed transfers that free up hundreds of millions of dollars that can be used in FY26.

"This approach sets Illinois up for failure by FY27 and continues a pattern of short-term thinking," House Minority Leader Tony McCombie, R-Savanna, said in a statement.

Senate Minority Leader John Curran, R-Downers Grove, condemned lawmakers for failing to deliver significant tax cuts since Pritzker took office in 2019 when Illinois' budget totaled about $40 billion.

“You know it’s a bad budget when it’s based on nearly $1 billion in tax increases and enhancements,” he said in a statement.

The governor also used his broad authority to reduce a pair of technical errors in the budget. The changes lower spending by $161.2 million from what lawmakers passed.

Tax increases on tobacco and vape products, businesses

The tax plan will raise $709 million in new revenue through what House Majority Leader Robyn Gabel, D-Evanston, characterized as “smart new sources of revenue.” They include new taxes on businesses, sports betting and tobacco and vape products, according to a list provided by the Senate Democratic caucus.

The budget will not raise personal income, corporate income or sales taxes after Pritzker told reporters that he will veto any budget containing “broad-based” tax increases just days before the bill passed.

The largest sum of new taxes – $336 million – are on businesses outside of Illinois that lawmakers call “leveling the playing field” and will require businesses to pay more income tax to the state on their profits.

Consumers will face new taxes on specific items, including taxes on tobacco, vaping and other nicotine products, which are increasing to 45% to raise $50 million. An existing telecommunications tax will also rise from 7% to 8.65% and raise $49 million to fund the statewide 988 hotline.

A new tax on sports bets will charge betting sites 25 cents for the first 20 million wagers and 50 cents for each bet following that. It’s projected to raise $36 million. Sports betting sites FanDuel and DraftKings have both announced they will implement 50-cent transaction fees on Illinois customers in response to the tax.

Short-term rentals will have to begin paying the state’s hotel operator’s tax. The charge is already applied to hotels in the state, and Airbnb already pays it voluntarily, but more companies like Vrbo will now be required to pay the tax expected to raise an additional $10 million.

A pair of tax amnesty programs are expected to raise $228 million. Those programs are meant to incentivize taxpayers to pay overdue taxes.

Fund sweeps, delayed transfers free up more for spending

The budget deploys a series of tactics designed to free up more money for spending in the general fund in FY26 without repeating as a revenue source for the following year’s budget.

It suspends the monthly transfer to the “rainy day” fund for one year, freeing up $45 million for general fund use. Pritzker has taken pride in the fund’s increase in recent years as it’s grown to a balance of $2.3 billion, up from less than $60,000 when he took office. The fund is still estimated to grow by $161 million from interest and contributions from other funds in FY26.

The state will also pause the final transfer of motor fuel sales tax revenue to the road fund in order to free up $171 million. That scheduled transfer was set in motion by the state’s 2019 infrastructure plan, with the sales tax supporting bond debt taken out to complete road and bridge projects. This year was to be the final year of incremental transfers that took place over the past five years.

The budget package also establishes a new $100 million BRIDGE fund that the governor can tap into “in the event of unanticipated delays in or failures of revenues.” The measure, an apparent nod to the uncertainty of federal funding amid ongoing congressional budget negotiations, will come from money swept from 57 different funds.

When combined with the tax amnesty program, the fund sweeps and delayed transfers add up to at least $544 million of one-time revenue in this year's state budget that will not be available in FY27.

Health and Human Services

The most notable change to health care funding is the elimination of the Health Benefits for Immigrant Adults, or HBIA, program that provided certain low-income noncitizens between ages 42 and 64 with state health care benefits akin to Medicaid. Eliminating the program saves the state $330 million, but the $110 million Health Benefits for Immigrant Seniors, or HBIS, remains in place.

"This was part of the challenge that we had to address," Pritzker said. "It was a program that had been growing significantly in cost. I do believe that everybody should have health care. I also know that we have to live within our means in the state of Illinois."

HBIA's elimination comes after a recent audit found the two programs have cost the state at least $1.6 billion since their inception, far exceeding original estimates for the program. Last year, the state put new guardrails in place to limit enrollment into the programs and reduce costs through co-pays and other measures.

HBIA's elimination also comes as Congress debates a domestic policy plan that could reduce reimbursements to states that provide health care benefits to noncitizens.

In anticipation of broader reductions to health care and Medicaid reimbursements to the state, Illinois lawmakers also increased spending on other health care and social service programs:

- $40 million for Federally Qualified Health Centers. These centers could provide care for people who lose coverage under HBIA turn.
- $18 million from the General Revenue Fund for five safety-net hospitals in the state's Medicaid managed care program. Another $100 million from Fund for Illinois' Future will go to support the Medicaid managed care program at 12 other safety net hospitals.
- $60 million for administrative expenses for the Supplemental Nutrition Assistance Program. That's a $20 million increase from FY25 as Congress has proposed requiring states to cover half of administrative costs.
- $263.7 million for HOME Illinois, a program created to reduce homelessness in Illinois. Housing advocates calculated that between Home Illinois and other housing line items, the budget includes $354 million in funding. That's about a $14.6 million decrease from a year ago, which marks about double of what Pritzker proposed cutting in homelessness funding in February.
- An 80-cent hourly wage increase for direct service professionals who service individuals with intellectual and developmental disabilities in community care settings. However, overall flat funding for the program means 305 positions in the program will be eliminated, according to the They Deserve More coalition. Community Care Program workers at the Illinois Department on Aging will receive a 75-cent hourly wage increase.
- A new $25 million Prescription Drug Affordability Fund to support certain pharmacies in Illinois in competition against larger pharmacy benefit managers.
- $15 million for the Medical Debt Relief Pilot Program that purchases medical debt from patients at a fraction of the total debt.
- A $4 million increase for the Department of Children and Family Services aimed at hiring 100 additional staff members.
- A child tax credit created in 2024 at 20% of the Earned Income Tax Credit will double to 40%.

Education

The state's evidence-based funding model for K-12 schools calls for $350 million in additional funding each year, with a portion of that going to a property tax relief fund and the rest directly to schools. The proposed budget fully funds the K-12 education increase at $307 million but does not add $43 million in property tax relief funds.

Funding for higher education operational expenses is only going up 1%. Pritzker had proposed 3%. Democrat budget leaders have said the spending plan includes ways to increase funding by an additional 2% if there are significant cuts in federal funding for higher education, however.

The budget also includes:
- A $10 million increase to the Monetary Award Program grants for lower-income college students.
- $8 million for a minority teacher scholarship program.
- $2.9 million for the state's Common App initiative to make it easier for high school students to apply to Illinois colleges and universities at one time.
- $212 million for Pritzker's Smart Start early childhood education program.
- $21.7 million for the newly created Department of Early Childhood

Others spending areas
Part of the budget package created a new Tier 2 reserve fund that can be accessed if there are violations of what's known as the federal "safe harbor" law. Lawmakers appropriated $75 million for the fund this year, in line with Pritzker's proposal. Broader reform to Tier 2 was not considered this spring.

"With this fix going into effect, we're protecting our taxpayers and state workers from future shortfalls that could cost the state much more," Pritzker said.

Read more: 'This issue isn't going away': Illinois lawmakers delay pension reform again

Attorney General Kwame Raoul is receiving a $15.7 million general fund increase as his office engages in a growing number of lawsuits against the Trump administration. Raoul told lawmakers he needs more attorneys to handle the cases and a generally growing workload in his office. However, because of declining revenue in other funds, total funding for the office largely remains flat in FY26.

The budget sent to Pritzker included a 5% pay raise for state lawmakers, to $98,304. State law sets the pay for legislators to increase annually with inflation, and lawmakers took no action to stop it from occurring in FY26.

The budget also includes:
- $500 million for the Department of Central Management Services and Department of Commerce and Economic Opportunity for the Surplus to Success program to prepare idle state properties for economic development.
- $17.9 million for the Department of Financial and Professional Regulation to implement a new licensing system
- $40 million for immigrant Welcoming Centers
- $6.2 billion for Department of Transportation construction projects, including $4.5 billion for roads and bridges.

Economic News Briefs…
- ***Market and Economic Highlights: June 2025***
  - The S&P 500 and NASDAQ posted their best month since November 2023
  - A de-escalation on tariffs between the U.S. and China aided stocks
  - Bonds were mostly lower on a backup in rates
  - Markets are now pricing in fewer than 50bps of Fed rate cuts in 2025
  - Consumer confidence rebounded in May

  Source: Bloomberg, FactSet
- ***Stocks Gain From Early April Lows:*** With first quarter earnings season nearly complete, S&P 500 companies reported 12.9% earnings growth. This was the second straight quarter of double-digit growth. Earnings growth breadth was strong with 8 of 11 sectors growing. However, the Magnificent 7 continued to lead including strong growth from Nvidia. For the remaining 493 companies, quarterly earnings growth was a somewhat lighter 9.4%. Earnings exceeded forecasts at the beginning of the quarter as 78% of companies reported positive earnings surprises. A somewhat above average number of companies reported negative EPS guidance and companies such as Walmart indicated they plan to increase prices due to tariffs to meet earnings guidance. *Sources: Bloomberg, FactSet*

Taken from the ISDLAF+ Market Update June 2025 prepared by PMA Asset Management, LLC

DPS Business Department Briefs…

- ***ISBE Budget Presentation:*** ISBE recently gave a budget presentation. The main take aways from the presentation are as follows:
    - CPS is currently a Tier II school District. If their Tier changes to Tier I, that would impact the formula by $34 million. Current conservative estimates indicate that EBF would potentially change by the same allocations from FY22 or '23.
    - CPPRT will hold the same as FY 25.
    - Private Tuition will be 77% in FY25 and maybe down into the 50 percents (somewhere?) for FY26
    - Transportation reimbursement FY25 79% FY26 Projection 73%
    - Sped Transportation reimbursement FY25 69% FY26 Projected 61%

Countywide Sales Tax – The District again continues to see strong CFST revenues. We have learned that a volume study regarding traffic off of the interstate has been conducted with strong results of increased daily numbers of vehicles. The strong receipts is evidence of this information. February 2025 receipts again showed tremendous growth over the previous years. February 25 receipts were $164,000 which is 16% greater than FY 24 and 33% greater than FY 23. February receipts have traditionally been low due to it following holiday spending and the weather being cold throughout the years. The CFST receipts are three months in arrears, so the funds received in June represent the taxes paid by consumers in February. Also, it is important to remember that these funds cannot be spent on anything other than facilities improvement. The summary below outlines a summary of the receipts over the life of the program with a comparison of FY 24 vs. FY 25.

Countywide Sales Tax Revenues					
					Difference
	FY 22	**FY 23**	**FY 24**	**FY 25**	**FY 24 v. 25**
July	$154,600.29	$167,736.37	$166,297.20	$177,241.56	$10,944.36
August	$151,914.91	$157,646.19	$171,178.89	$177,589.47	$6,410.58
September	$147,769.08	$160,407.90	$175,220.50	$176,058.42	$837.92
October	$149,779.51	$162,719.99	$165,535.70	$157,162.56	-$8,373.14
November	$151,772.24	$157,766.14	$168,001.90	$171,171.84	$3,169.94
December	$173,545.72	$167,486.45	$178,755.19	$201,004.74	$22,249.55
January	$120,886.90	$134,425.96	$141,195.76	$179,547.38	$38,351.62
February	$116,109.65	$123,815.53	$141,802.17	$164,559.27	$22,757.10
March	$148,860.94	$154,850.14	$165,591.32	$0.00	$0.00
April	$151,074.10	$159,801.14	$168,718.21	$0.00	$0.00
May	$176,921.12	$182,291.57	$195,620.51	$0.00	$0.00
June	$179,688.24	$181,283.06	$186,682.55	$0.00	$0.00
	$1,822,922.70	$1,910,230.44	$2,024,599.90	$1,404,335.24	$96,347.93

The next payment obligation for 2018A & 2019A Alternate Revenue Bonds will be an interest only payment in July 2025. The payment will be allocated out of CFST receipts on a monthly basis to meet the obligation. Then in January 2026, a principal and interest payment will be made on the bonds. In general, the obligation amount is $90,000/month. Any amount above this amount, represents opportunity for future facility improvements.

Bond/Debt Repayment: FY 26

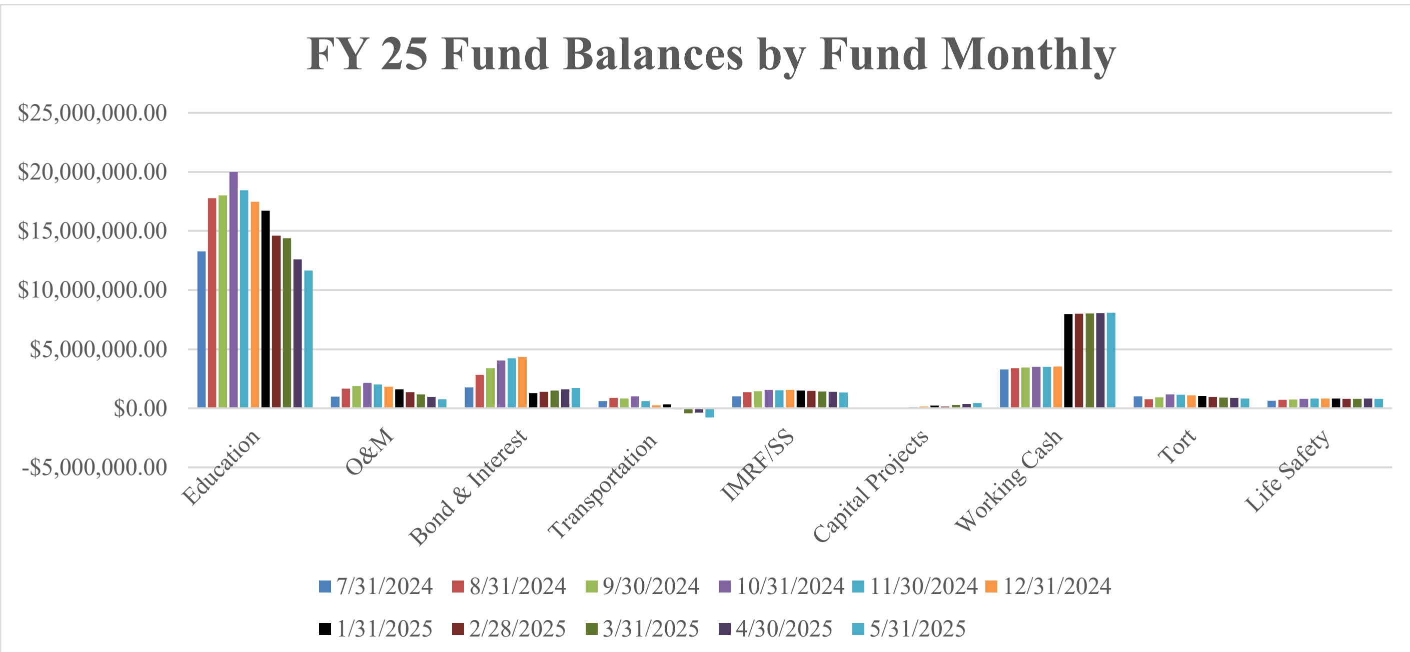
Below is a summary of the outstanding debt (bond) obligations for the District. Each July the District makes an interest only payment and each January the District makes a principal and interest payment. In July interest payments will be made to the outstanding bonds totaling $701,172. In January, the District will make payments of $3,571,172 for principal and interest. The funds for these payments are generated from two different sources. The Alternate Revenue Bond payments are paid from monthly County Facility Sales Taxes and the General Obligation Bonds are paid from property tax revenues. The payment of the bonds will be part of the consent agenda in August 2025, but per the Spending Resolution approved in June 2025, the bond payments will be made in July 2025.

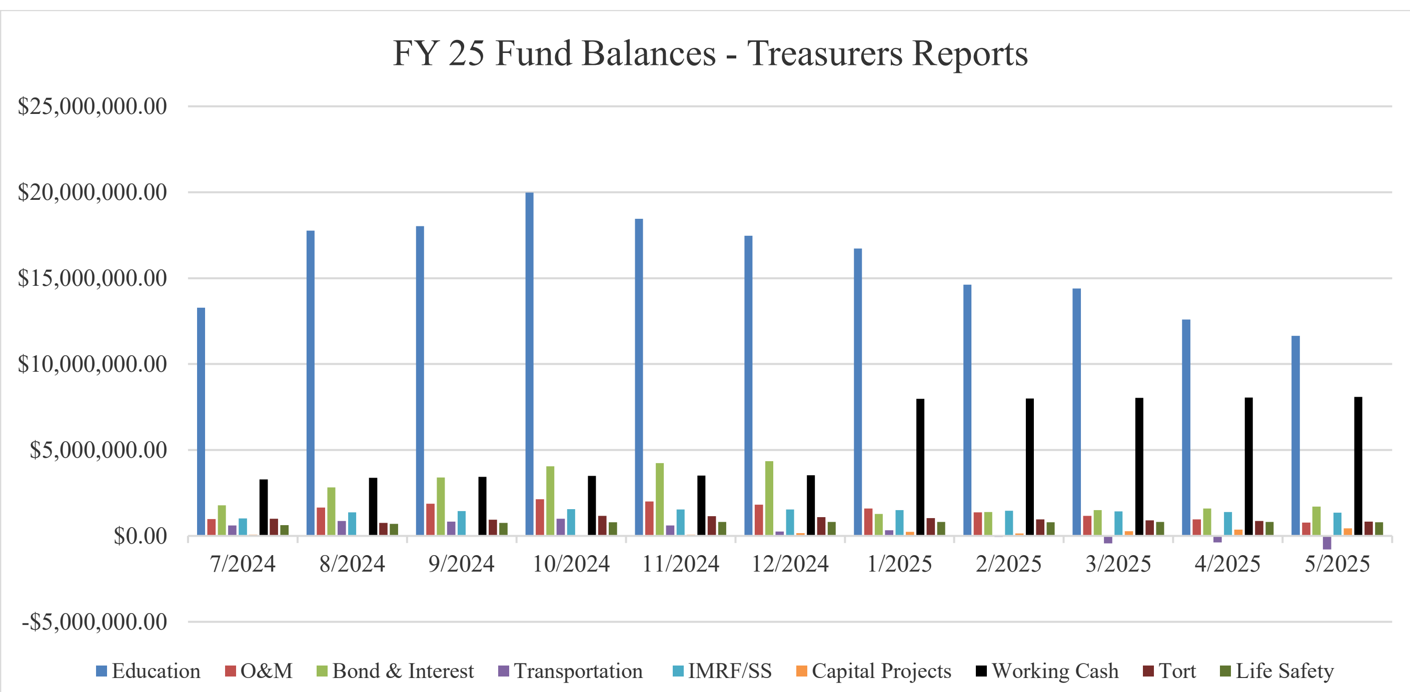
Summary of the FY 26 Bond Payments:

Bond	July 2025 Payment	January 2026 Payment	Payments FY26
GO Bond 2016 $2,300,000	Interest Payment: $18,225	Principal Payment: $395,000 Interest Payment: $18,225 Total: $413,225	Total for FY 26: $431,450 Paid with Tax Levy Final payments at the end of FY 28
GO Bond 2017 $21,390,000	Interest Payment: $340,400	Principal Payment: $870,000 Interest Payment: $340,400 Total: $1,210,400	Total for FY 26: $1,550,800 Paid with Tax Levy Final payments at the end of FY 37
GO Bond 2019B $2,460,000	Interest Payment: $23,800	Principal Payment: $280,000 Interest Payment: $23,800 Total: $303,800	Total for FY 26: $327,600 Paid with Tax Levy Final payments at the end of FY 29
Refunding Bond 2023 $650,000	Interest Payment: $0.00	Principal Payment: $0.00 Interest Payment: $0.00 Total: $0.00	Total for FY 26: $0.00 Paid with Tax Levy Final payments at the end of FY 25
GO Bond 2025 $4,5000,000	Interest Payment: $107,072	Principal Payment: $615,000 Interest Payment: $107,072 Total: $722,072	Total for FY 26: $829,144 Paid with Tax Levy Final payments at the end of FY 29
Alternate Revenue Bonds: GO Bond 2018A $10,650,000	Interest Payment: $148,275	Principal Payment: $495,000 Interest Payment: $148,275 Total: $643.275	Total for FY 26: $791,550 Paid with CFST Final payments at the end of FY 38
Alternate Revenue Bonds: GO Bond 2019A $4,215,000	Interest Payment: $63,400	Principal Payment: $215,000 Interest Payment: $63,400 total $278,400	Total for FY 26: $341,800 Paid with CFST Final payments at the end of FY 36
Total Obligations	Interest: $701,172	Interest: $701,172 Principal: $2,870,000 Total: $3,571,172	Interest: $1,402,344 Principal: $2,870,000 Total: $4,272,344

Treasurer's Report – May 2025

In your Board Packet, you will find the Treasurer's Reports for May 2025. The summary graphs represent FY 25 fund balances through May 2025. Balances for the funds for the first two quarters of each year reach their highest balances due to property tax revenue receipts. During the second half of the year, cash flow and revenue are traditionally low, while expenses for salaries and basic operations remain consistent throughout the year. This month saw a total decrease in fund balances of $1.4 million. Transportation remains a negative balance as the state owes the District the fourth quarter categorical payment but the deficit amount improved slightly after the 3rd quarter categorical payments were received. The operating funds decreased by $1.5 million representing normal expense operations. Fund balances remain strong with the exception of Transportation. The Business Office will continue to monitor cash flow throughout the second half of the year as we anticipate declining fund balances moving forward.

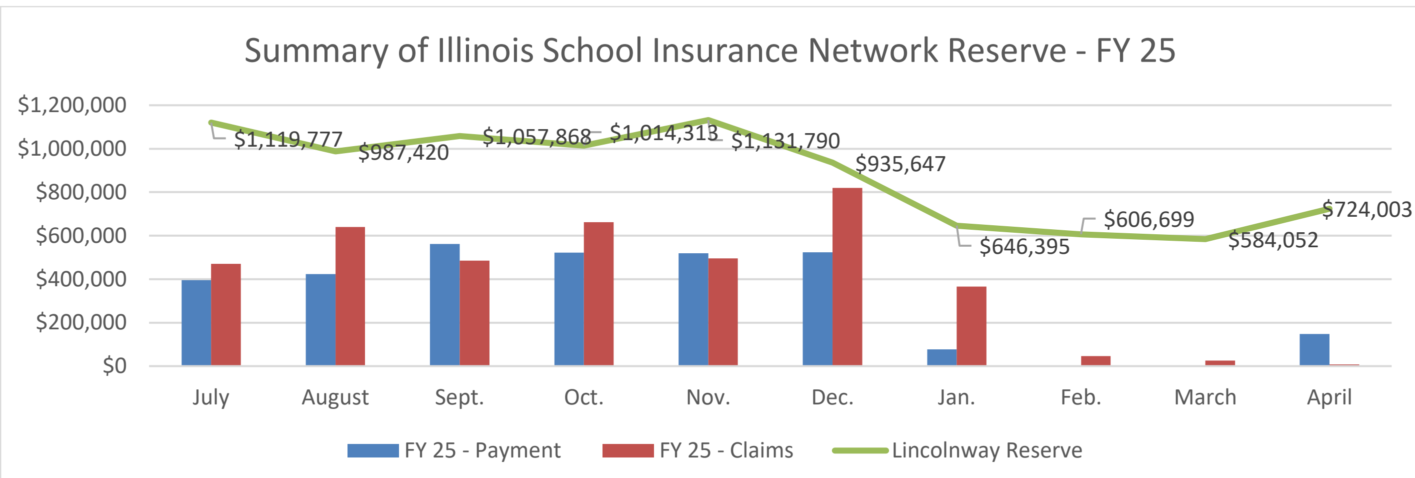


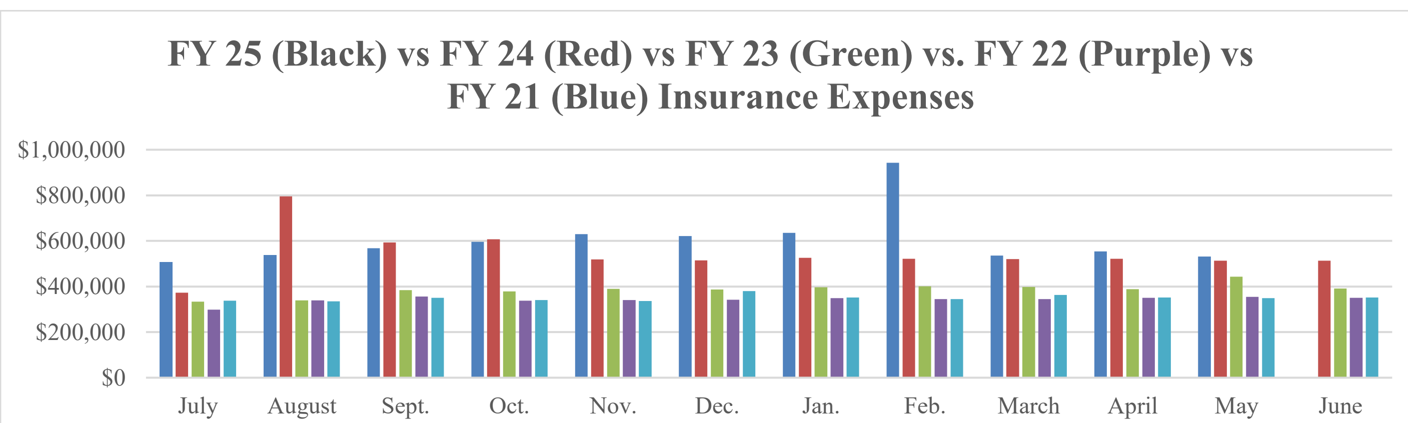


Insurance Information Summary – April 2025

The *Summary of Lincolnway Affiliation Insurance Reserve – FY 25* graph provides three key pieces of information.

- The Blue bar represents the amount paid to the affiliation. This amount is based on industry standards and premium rates based on the number of employees enrolled in the program.
- The Red bar represents actual Medical and Pharmaceutical Claims paid in the month, not necessarily occurring in the month. A medical claim can take three months to be processed.
- The Green line represents a reserve of funds paid by DPS over the amount of expenses. The reserve amount is on a spend down starting January 1, 2025. As of the end of April, the amount of expense claims hitting the reserve should be minimal. In April the amount of the claims were only $7,450 indicating that the cost of claims is coming to closure. As a result, the reserve balance of $724,003 is an amount owed to Dixon. This payment would be made per the bylaws to Dixon in January 2026. **WIPFLI has advised on this process and plans to create a prepaid expense on the balance sheet to represent the amount owed. Note that this amount is expensed in the ledger and in the budget, but it represents an over expenditure amount.**
- In April 2024, the reserve increased by $140,000. Looking at the graph, the Red bar represents the claims paid vs. the blue bar which represents the bill paid by the District. The District is billed a per person/family premium amount. This difference represents that the plan is being used (or claims are being made) in excess of the premium being billed.





In looking at the graph above, the Blue bar represents insurance costs paid in each of the months vs. the previous four years. Month over month the claims for FY 25 have been higher than the previous years. It is challenging to dissect the years against each other as the number of claims paid, the number of individuals and families on the plan changes, the types of claims paid is entirely different, as well as a significant inflationary component in FY 25.

Considering the information, the following are key points of information and decisions to be made in the near future.

1. *Being Self-Insured is probably no longer the best interest of the District. By being a full participating member of the Lincolnway Affiliation, the District could insulate itself again large claim years and significant premium increases.* In April/May, the ISIN Board and the DPS Board approved full membership status for Dixon. **The implementation of fully-insured status began January 1, 2025.**
2. *Each year, the District renews insurance premiums around this time of the year. We have experienced significant increases in the premium amounts over the past couple of years. This is a yearly Board approval item.* In June 2024, the Board approved the recommendation of increasing the Health Insurance premium rate by 20%. **The ISIN Board and Marsh-McClennon have been working to finalize the premium change for FY 26. The current amount is estimated at 7.5% and will go into effect January 1, 2026, this will be finalized in the next couple of weeks and will be a Board approval item in August 2025.**
3. Increasing Health Insurance costs continue to be an issue for the District. The implementation of the Tier III plan was a strong start to the process. Negotiations will be starting regarding the final implementation of the Health Saving Account Plan (HSA).
4. **Note that dating back to October 2024, the District received a 5-year health insurance cost projection $9.1 million in 2029. That same projection table provided a 2025 cost of $6.0 million. Actual FY 25 costs are $6.45 million, not including June 2025. These increases over time are unfunded costs that are not offset by new or additional revenues. This information was shared at the insurance committee meeting.**
5. **Currently the estimated FY 26 Health Insurance cost is projected at $6.4 million, given same number of employees, same plan, no changes.**

Dixon USD #170 is and has been self-insured for over 30 years. The plan utilizes excess reimbursement coverage for claimants who exceed $350,000 per year for higher individual claim costs. Note that in September 2019 we transitioned to Lincolnway Co-op for claims processing and management. Their involvement has continued in FY 24. Please remember that the financial information disclosed on the Self-Insurance Reports represent financial information through February 2024 but due to the monthly receipt of information from Lincolnway Area Affiliation, the information provided in this summary is through January 2024. During the 23/24 SY Lincolnway Area Affiliation changed the name to Illinois School Insurance Network (ISIN).