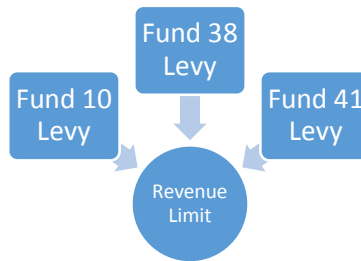


MEMO

To: Board of Education
 From: Pete Grender, Business Manager
 Subject: Annual Meeting & Budget Hearing
 Date: September 21, 2015

At tonight’s meeting I would like to discuss revenue limits, equalization aid, tax levy, and finally the 2015-16 budget.

Revenue Limit: A district's revenue limit is the maximum amount of revenue that may be raised through state general aid and property tax for the General, Non-Referendum Debt, and Capital Expansion Funds, also referred to as Funds 10, 38, and 41 respectively. Deerfield does not currently levy into Funds 38 or 41.



The revenue limit calculation is based upon multiple factors. The first factor is the district’s prior year controlled revenue. This consists of the prior year’s levy, equalization aid, computer aid, and the reduction of the non-recurring exemptions.

Enrollment is the second factor that affects a district’s revenue limit. Both the 3rd Friday count and 40% of the summer school FTE are summed to determine a district’s membership. The table below lists summer school as 40% of the total FTE. To determine your membership count for the revenue limit calculation, a district will compare their current three year average (listed below as 775) to last year’s three year average (779) to determine if they are considered to have increasing or decreasing enrollment.

	Revenue Limit Membership by Year							
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Summer FTE	12	11	14	13	16	18	17	17
3rd Friday Count	<u>775</u>	<u>791</u>	<u>790</u>	<u>779</u>	<u>776</u>	<u>760</u>	<u>751</u>	<u>763</u>
Total FTE	787	802	804	792	792	778	768	780
3 Year Average			798	799	796	787	779	775

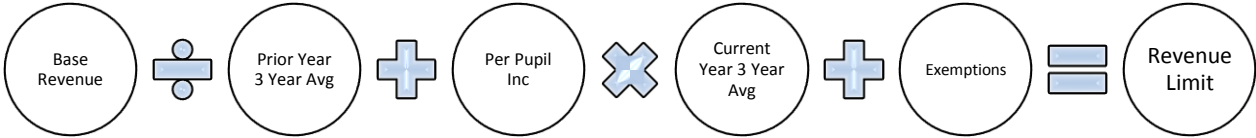
Inflationary Per Pupil Increase			
Year	Base	Increase	Revenue/ Member
2006-07	9,459	257	\$9,716
2007-08	9,724	264	\$9,988
2008-09	9,988	275	\$10,263
2009-10	10,263	200	\$10,463
2010-11	10,463	200	\$10,663
2011-12	10,663	(586)	\$10,076
2012-13	10,076	50	\$10,126
2013-14	10,126	75	\$10,201
2014-15	10,201	75	\$10,276
2015-16	10,276	-	\$10,276

A third factor is the inflationary per-pupil increment. In past years districts were usually allowed to add in a per-pupil inflationary increase that was tied into the CPI calculation. For the 2011-12 school year each district was required to reduce their revenue per member by 5.5%. Please see the table at the left that lists changes in the per-pupil per member amounts. As the table indicates our 2015-16 revenue per member will be approximately equal to the 2008-09 factor.

A final set of factors that determine a revenue limit calculation are any recurring and non-recurring exemptions that have been approved by DPI. There are currently no recurring exemptions for Deerfield. Non-recurring exemptions that flow into Deerfield’s revenue

limit calculation are the declining enrollment exemption, the hold harmless exemption, and the three year referendum.

After the previously mentioned factors have been finalized a district will be able to determine their revenue limit for the year. Please see the graphic below for a review of the revenue limit calculation.

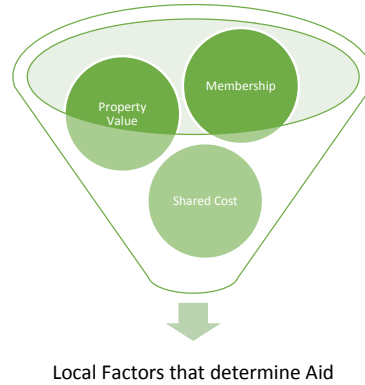


Equalization Aid: The State provides financial assistance in the form of Equalization/General Aid to school districts in order to:

- Reduce the reliance upon the local property tax as the sole source of revenue for educational programs.
- Guarantee that a basic educational opportunity is available to all pupils regardless of the local fiscal capacity of the district in which they reside.

The fundamental purpose of the Equalization Aid formula is to “level the playing field” by providing assistance to districts with lower property value to make up for what they can’t get from their property tax base.

The three local factors that determine Equalization aid are membership, property value, and shared costs. A district will use their third Friday and second Friday student counts from the previous year, as well as the full amount of the summer school FTE. The certified equalized values from the previous May are used in determining the property values. The final local factor is shared costs. Shared costs can be defined as the sum of all Fund 10, 38, and 39 expenses and subtracting all local revenues, grant revenues, and categorical aids used to pay these expenses. There are also various state factors; these are determined by how every other district is reflected in the equalization aid formula.

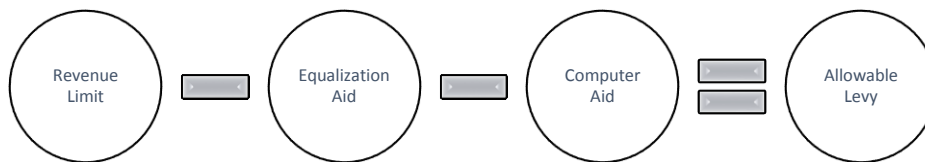


Depending on district value-per member, some districts increase their aid by increasing expenses, while others decrease their aid by increasing expenses. In our case, we will receive more aid as we increase expenses.

Please see the table below for historic equalization aid amounts for our district. The equalization aid in the 2015-16 budget is based upon the July 1st estimate provided by DPI. They will provide a certified equalization aid per district on Oct 15th which will be used in the final budget. We will also be able to determine the final tax levy after this date.

Equalization Aid by Year								
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Equalization Aid	4,557,502	4,989,795	5,013,759	4,513,310	4,784,011	4,887,406	4,736,136	4,737,511
Increase/(Decrease)		432,293	23,964	(500,449)	270,701	103,395	(151,270)	1,375
Percentage		9.5%	0.5%	-10.0%	6.0%	2.2%	-3.1%	0.0%

Tax Levy: Upon receipt of our Oct 15th equalized aid amounts, the tax levy for the year can be determined. The tax levy is calculated as follows:



There is an inverse relationship between equalization aid and property taxes. As state aid falls, property taxes will rise. As state aid rises, property taxes will decrease.

Included on the next page is a table that lists the revenue limit levy for the last few years, broken down by funds 10, 38, and 41. Keep in mind the data for 2015-16 is still an estimate.

Revenue Limit Levy by Year								
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Fund 10	3,400,960	3,246,364	3,503,174	3,769,401	3,584,392	3,663,859	3,762,900	3,704,766
Fund 38	104,000	138,000	202,000	189,600	192,690	0	0	0
Fund 41	0	0	0	0	0	0	0	0
Revenue Limit Levy	3,504,960	3,384,364	3,705,174	3,959,001	3,777,082	3,663,859	3,762,900	3,704,766
Increase/(Decrease)		(120,596)	320,810	253,827	(181,919)	(113,223)	99,041	(58,134)
Percentage		-3.4%	9.5%	6.9%	-4.6%	-3.0%	2.7%	-1.5%

Assuming the Board of Education will want to exercise its full taxing authority, please see the chart below for a comparison of key revenue limit factors between the two years:

Category	Actual 2014-15	Projected 2015-16	Increase	Percent
3 Year Membership Average	779	775	(4)	-0.5%
Revenue per Member	10,276	10,276	-	0.0%
Revenue Limit	8,513,257	8,446,194	(67,063)	-0.8%
Equalization Aid	4,736,136	4,737,511	1,375	0.0%
Fund 10 Levy	3,762,900	3,704,766	(58,134)	-1.5%
Fund 39 Levy	988,619	1,012,181	23,562	2.4%
Fund 80 Levy	65,000	65,000	-	0.0%
Total Levy	4,816,945	4,781,947	(34,998)	-0.7%
Property Value per Eq Aid	366,125,977	369,882,282	3,756,305	1.0%
Mill Rate	13.03	12.80	(0.23)	-1.7%

2015-16 Budget: The 2015-16 Budget Hearing booklet contains a comprehensive breakdown of our budget. This budget was published in the September 10th issue of the Deerfield Independent.