

Nippersink School Finance
Frequently Asked Questions

Answers submitted by Business Manager Paul R. Hain, Ed.D.

The goal of Frequently Asked Questions (FAQ's) is to make answers widely available to the public. The questions are all finance related. We will add and delete questions to keep this information relevant.

General School Finance and Negotiations

Q. Does D2 have a deficit?

A. Yes. \$2.1 million as of June 30, 2007.

Q. Is this a debt?

A. No. A debt is when you have to borrow money. We do not borrow this money from any lender. We have a deficit.

Q. What is a deficit?

A. A deficit is a shortage. The school district has nine separate Funds, such as Education, Transportation, Operations and Maintenance. Some of the Funds have surplus money, while others do not. The deficit or shortage in the Education fund occurred in 2003. Money is loaned to the Education Fund from the other Funds on a temporary basis. The goal is to pay back the deficit by spending less than the Educational Fund takes in. Over time, the deficit will be repaid. We have been reducing the deficit on average of \$450,000 per year.

Q. Is the deficit getting better or worse?

A. The deficit is getting better. It has been reduced by more than a million dollars in the last three years. This has been accomplished in the face of rising costs.

Q. What causes the deficit?

A. Expenditures that exceed revenues (taxes and other income) will cause a shortage.

Q. What do you mean by "early taxes?"

A. Property taxes which are for the next fiscal year that are received before the start of the fiscal year which starts on July 1st. It is like getting paid in advance. It gets easy to use this "extra" money before the bills come due. Our accounting method keeps property taxes in the fiscal year for which they are intended.

Q. What has the Board of Education done to reduce the deficit?

A. It has aggressively attacked the deficit problem by approving a balanced budget for the last three years, reducing expenditures and not using early taxes. The Board has consistently under-spent the budget and applied the surplus to pay down the deficit. It obviously takes several years to eliminate a \$3 million deficit. Progress has been made on this goal each year.

- Q. Does the new teachers union contract increase the deficit?
A. No. Our projections up to 2010 show our revenues will keep up with the contract costs.
- Q. Is the Board of Education planning on building a new school?
A. No.
- Q. Is the Board planning on an Educational Fund referendum?
A. No.
- Q. What is the Working Cash Fund?
A. It is a state authorized Fund to help school districts handle unexpected costs. It is like a rainy day savings account. The Board taxes a small percentage for Working Cash. It grows in size over the years. The funds are invested and earn interest for the school district when not in use.
- Q. How is the Working Cash Fund used?
A. It is used to help other Funds that need a loan, such as the Educational Fund has for several years. The Board can borrow from its Working Cash Fund for up to a year and pay it back. The Board can also make the loan permanent.
- Q. Does the new teacher contract require the teachers to pay their own pension?
A. Yes, in the third year if the required payment is over 10.75% (it is 10.24% currently).
- Q. Why did the Board agree to wait until the third year?
A. Because no increases are going to take place in the first and second years. It is a moot point.
- Q. What does the newspaper quote from the teachers union that the teacher pension provision in the new contract “sunset” at the end of the contract?
A. “Sunset” means it will end. All of the new teacher contract language including teacher pension provision, salary and benefits will expire at the end of the contract on June 30, 2010. “Sunset” is a moot point.
- Q. How do D2 teacher salaries compare to other school districts?
A. Including the teacher pension as part of their gross salary, we are in the middle of the range of similar school districts in northwest Lake and McHenry counties.
- Q. How has the Board protected itself from teacher pension liabilities when it has been responsible for the teachers pension?
A. By negotiating raises that have been smaller than surrounding comparable districts.

- Q. How much will the teachers be contributing for their health insurance?
A. Nothing in the first year. Approximately \$49,392 in the second year and \$67,914 in the third year. All employees will be responsible for 100% of the increase if the premium exceeds \$670 per month.
- Q. What are the new teacher raises?
A. 3.25% in year one. 3.5% in year two. 3.75% in year three.
- Q. How does this compare with other teacher contracts settled this year?
A. D2's raises are among the lowest. Other settlements were in the 4.0 to 4.5% range.
- Q. What can the public do to prevent another teacher strike?
A. While the experience is fresh in your mind, write your state senator and state representative and ask them to change the law allowing teacher strikes.
- Q. Don't the teachers have to strike to get the Board to bargain?
A. No. State law requires the Board to negotiate until a contract is reached. A strike does not make that process happen. Contract bargaining would take place without a strike. By law it has to.
- O. Did the Board or the teachers get the best deal?
A. Neither side got what it wanted.
- Q. Is there hope for negotiations to go better next time?
A. Yes. Both sides have agreed to get training from the Federal Mediation Commission on how to hold effective meetings to address important issues, such as keeping benefits costs under control.

Tax Levy, Property Tax and Tax Cap Questions

Under construction