History of the District 200 Fund Balance

Early 2000s: At the start of the century, District 200 was in a precarious financial position. During the 1990s, it had borrowed heavily just to pay its operating costs. Meanwhile, maintenance on the building—much of it nearly a century old—was being deferred.

The Education Fund, which is used to pay for the direct costs of educating students (roughly 80% of the district’s annual expenditures), was being drained rapidly due to several factors: unanticipated health-care cost increases, rising special education needs and costs, unfunded state increase in graduation requirements, and unfunded federal mandates in No Child Left Behind. To stave off deficit spending, the district was subsidizing the Education Fund with money from the Operation & Maintenance Fund, normally used for building repair and maintenance and for construction projects.

2002: With a stated goal of raising $6.5 million for the Education Fund, the Board of Education sought approval of an operating referendum to stabilize the district’s financial position. State law required asking voters to approve a property tax rate rather than a dollar amount; the high school estimated that a tax rate of 2.95% would generate the additional $6.5 million. Voters approved the 2.95% tax rate, equal to a 65-cent increase per $100 of assessed valuation.

2005: From 2002 to 2005, steep growth in Cook County’s assessment of property values meant that the approved 2.95% tax rate had the potential to generate millions more than the initial $6.5 million goal. However, during this period, the district had not been collecting the full 2.95% tax rate that voters had approved. In 2005, the board learned that, under state law, a district that is not levying the full amount approved by voters had four years after a referendum to “phase in” that full amount. The board decided to implement a phase-in in 2005, the last year it was eligible to do so.

The decision to collect the full 2.95% led to referendum revenue being roughly double the original goal, which some community members referred to as a “backdoor referendum.” This unexpected increase in revenue resulting from the referendum had a compounding effect over the following years as the district continued to levy the maximum amount it was permitted.

2013: By 2013, the tax revenue collected by the district had resulted in a $130 million fund balance, or cash reserves. School districts must maintain a fund balance of at least 25% of annual expenditures to receive a AAA bond rating, but the District 200 fund balance was more than 170% of annual expenditures.

The 2013 Board of Education recognized that this large fund balance contributed to high tax levels in our villages and eroded community trust in the district. The board took action to remedy the situation by creating a 15-member Finance Advisory Committee (FAC), made up of district representatives and community members with expertise in finance, law, and local community matters. The board charged the FAC with making recommendations for a target fund balance range and guidelines for future tax levies.

May 2022
The FAC recommended that the district bring its fund balance under 100% of annual expenses within four years, and reduce it further to 25-40% of annual expenses within eight to 10 years. Mechanisms for reducing the fund balance included paying off remaining debt, keeping the annual levy flat or reducing it, and transferring a portion of the Operating Fund Balance to the Capital Fund to pay for capital improvements projects.

**2013-2021:** Boards during the last nine years have taken several steps to implement the FAC recommendations to reduce the fund balance:

- **Paid off debt:** In December 2017, the district paid off all debt with funds from the fund balance.
- **Reduced the tax burden:** For tax years 2013 through 2021, successive boards opted to reduce the district’s tax income through a combination of tax abatement (a temporary reduction in the amount owed by taxpayers) and flat levies (not taking the annual increase allowed by law). The result was that the district left $59 million in taxpayers’ pockets. And because each year’s tax income is a percentage of the previous year’s income, this effectively left tens of millions of additional dollars beyond the $59 million in taxpayers’ hands.
- **Invested in capital improvements:** Since 2013, the district has tackled numerous deferred maintenance projects and paid a portion of those costs from cash reserves.

In summer 2020, the district broke ground on Imagine OPRF Project 1, the first phase of the district’s long-term, five-phase capital projects plan. The board decided to pay for the $40 million Project 1 cost with cash reserves, without increasing property taxes or affecting the district’s debt-free status.

At the conclusion of fiscal year 2021, with a significant portion of Project 1 already paid for, the district’s fund balance stood at $102 million, or 109% of annual expenditures.

**2022:** The district is continuing to spend down the fund balance with capital improvements to the facilities in which students learn every day. Approved projects include:

- A second portion of Project 1, completed in fiscal year 2022 and projected to reduce the fund balance to $88.7 million (83% of expenditures) on June 30.
- The final portion of Project 1, including additional classroom renovations in 2023.

Other capital projects the board is considering but has not yet approved include:

- Construction of Imagine OPRF Project 2. The conceptual design cost estimate was $65 million in 2018. A more precise design and costs will be available in fall 2022, when the Board of Education will determine whether to move forward with Project 2 and whether to fund a portion of it from cash reserves.
- Renovation and reconfiguration of athletic fields in collaboration with the Park District of Oak Park. Estimated cost will be determined later in 2022.

*May 2022*