

What is "Fiscal Responsibility"?

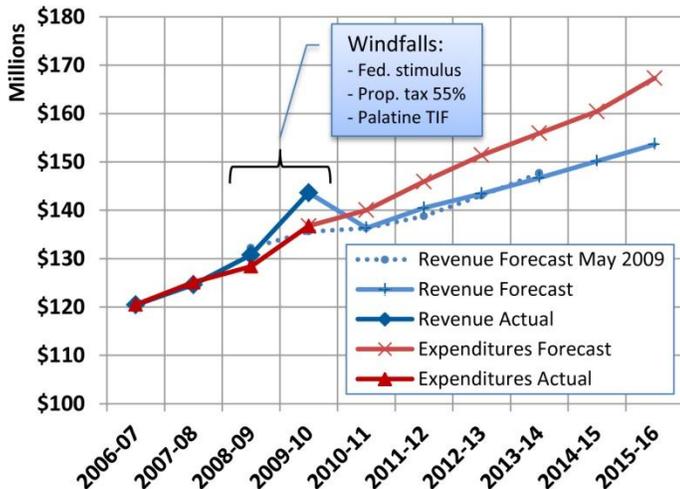
By **Scott Herr** – Candidate for District 15 Board of Education - March 22, 2011 (<http://www.Vote135.org/2011/03/fiscal-responsibility/>)

In a nutshell, fiscal responsibility is living within our means, using financial resources wisely and making financial decisions in an open and transparent way. But let's get more specific and look at what is and what is not "Fiscal Responsibility".

Fiscal Responsibility Support balanced budgets

The incumbents claim "Fiscal Responsibility" and "Support balanced budgets" on one of their flyers pictured here. However, their actions speak much louder than their words.

District 15 had balanced budgets in the 2006-07 and 2007-08 school years. Then in 2009, the incumbents started negotiating and approving contracts and budgets District 15 could not afford. These actions resulted in \$4 million of deficit spending this year and the latest District 15 forecast shows \$47 million of deficit spending over the next five years.



The incumbents try to argue this is due to the economy or the state of Illinois' problems or something else outside their control. But revenues were actually higher than the forecast given to them two years ago. This was due to unexpected windfalls, primarily the 2009 federal "ARRA" stimulus act and a one-time \$5 million windfall in spring 2010 when Cook County changed from billing 50% to 55% of the previous year's property tax amount. Now these windfalls have ended.

However, the latest forecast of revenue for the next three years shows District 15 revenues will be almost exactly the same as the forecast given to the incumbents two years ago (OK, 3/10's of 1% less than the two-year-old forecast). Property taxes are 75% of District 15's revenue and are very stable and predictable. District 15 families would love to have such predictable revenues.

The current Board also does not have a capital projects plan. At the February 9th board meeting an \$18,142,185 project list was presented. However, there was no indication of the priority nor timing of these projects. There was only an indication of which projects were recommended to be done this summer. The urgency varies significantly between projects. For example, according to a 2010 roof inspection obtained by a FOIA request, the Gray M. Sanborn school roof that is shown as a \$702,075 project still has 5-10 years of life remaining. Reading between the lines, the current Board may be thinking about using the \$18 million project list as an excuse for a new bond offering, but at an amount less than the \$27 million bond referendum that failed last fall.

Then what IS Fiscal Responsibility? Fiscal responsibility at its essence is establishing budgets that are affordable, sustainable, stable and responsible.

There are four main tests of fiscal responsibility:

- Living within our means.** Or, to be more precise, balancing spending with revenues over the medium term. Due to the incumbents' actions in 2009, there will be a \$4 million deficit this year that grows each year until it reaches \$14 million per year in the 2015-16 school year. It is OK to have small variations year-to-year; however, when looking at forecasts over a three-year timeframe, spending should be in balance with revenues.
- A capital projects plan.** Things like roofs wear out gradually. Every year the District inspects the roofs to see how many years of life remain and what maintenance work is needed to maximize the life of the roof. Similarly, technology gets out-dated and needs to be replaced periodically. Any significant projects should be itemized and put into a 5-year forecast each fall. Specific projects to be completed the following summer should be approved by December so the facilities and other teams can complete them as efficiently as possible. This 5-year capital projects plan is a very important input to the annual budgeting process.
- Using financial resources wisely.** One resource the District has at its disposal is the ability to issue bonds, which can be thought of as loans. Bonds put money in the bank when issued. Then the bonds are paid off by property taxpayers over 20 years. Bonds should only be issued when similarly long-lived assets are being purchased, for example if additional classrooms are being added to a school. Replacing roofs would not fall into this category and are a maintenance project, not a capital investment.
- Communicating with the public.** Last year the incumbents approved a resolution to issue \$27 million in bonds. Then in October, the Daily Herald recommended voters reject the \$27 million bond referendum saying "voters shouldn't be asked to give the district a blank check on a vague plan." Board members should ensure the public understands and supports all significant financial decisions.

VOTE

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