**IEA Awesome Podcast**

**Episode 21 – School District Finances**

00:00 KELSEY: Welcome to the Awesome IEA Podcast brought to you by the Illinois Education Association.

00:05 DIANA: The podcast for curious well-informed association members.

00:09 KELSEY: I’m one of your hosts, Kelsey Harms, a Computer Specialist from the IEA Program Development Department.

00:13 DIANA: And I’m Diana Zaleski, one of your Instructional Resource and Professional Development Directors from IEA Teaching and Learning.

00:19 KELSEY: The goal of this podcast is to educate our members about important new educational policy initiatives in a brief and hopefully entertaining format.

00:27 DIANA: Today we are going to discuss school district finance and district financial profiles with our special guest Erika Lindley, IEA Research Specialist. Erica, thank you so much for coming back on the podcast.

00:37 ERIKA: Thank you. This is fun!

00:39 KELSEY: So, Erika, can you start us off with a general description of what a district financial profile, or DFP, is?

00:47 ERIKA: Absolutely. Thanks, Kelsey. We love to live in acronym land when it come to public education. So, the first thing for people to understand is when we say DFP, what we are referring to is the district financial profile model which is a brain child of IEA Research that has been worked on, edited, augmented for over a decade as a way to help our members and our field staff get a quick understanding of the district’s financial health.

01:17 DIANA: Can you help us understand how these DFPs fit into the overall picture in helping our members understand their districts financial situation?

01:25 ERIKA: Sure. The DFP is a great way for our members to understand the revenue coming into the district and expenditures being made by the board and administrative team. The way the DFP is set up is it’s just a huge mega giant Excel spreadsheet. So, for some people who are listening to the podcast that have done bargaining through IEA before, you might be thinking, “Oh! I’ve taken a look at the DFP before.”

01:53 Again, it’s just a mega spreadsheet that provides the ability for us to look at trend information, the current budget, and then allows our members to develop some projections for what they think might happen in the future, both on the revenue and the expenditure side of the ledger.

02:10 Let me talk a little bit about those pieces that I just mentioned. The annual financial reports and trends, the budget, and then the projection side of the model. When it comes to looking at district trends, we use the annual financial report as our primary tool to understand the district’s history and how they spent their money, and the revenue that was coming in.

02:30 For those who aren’t familiar with the annual financial report, the AFR, another acronym that we like to throw around, the AFR is the document filed by your district at the end of each fiscal year. So, it’s a real time understanding of what happened in the prior fiscal year. It’s always going to be retrospective.

02:50 So, the benefit of using the AFR as a primary tool is it allows us to look at the same buckets of revenue and same buckets of expenditures for years and years and years over time. Getting back to the DFP, we are able to see the last seven years of annual financial report data in the DFP. So again, that allows us to get a solid understanding of the district’s trends on both the revenue and expenditure side of the ledger.

03:19 When we use this to help districts understand their situation, their financial situation, we compare that trend information then to the district’s budget that filed for the current year. So, we’re able to see what the district expected to receive in revenue from their primary sources, local sources, state sources, federal sources of revenue, and also able to see how they plan to spend their money for the year.

03:50 And the way that we break out expenditures is we take a look at how the district plans to spend money related to salaries, related to benefits, and then all other spending we lump together in a mega category.

04:03 So, to get to your question, Diana, specifically about how can this be a tool for members, we see especially when it comes to a local preparing to bargain, this can be a great way, reviewing the DFP can be a great way to understand what’s happened to the district in the past, what the district plans to happen this year, and then the final piece is allowing us to model out some projections for future years.

04:30 We’re able to say, okay, based on the trend, we see that local property taxes have gone up on average two percent per year. That means we could reasonably assume, all things staying relatively equal, that we could assume property taxes would continue to increase by around two percent each year.

04:50 The DFP model allows us to then go in to future years in the projection model and say, hey, let’s go ahead and increase our local property taxes by two percent each year and then see the kind of revenue that would generate. We’re able to do that not just for property taxes, but for other revenue sources and expenditures as well.

05:12 So, a cool part of the projection side of the model is that it allows our bargaining teams to see what a one percent, two percent, ten percent, fifty percent, increase in salaries might do the district’s fund balance and other areas of their budget. So, it allows us to get a really good gut check on the reasonableness of any proposal that we’re considering or any proposal that’s been offered by the district and how that’s going to affect the district’s bottom line, not just in one year, but for the entire length of the district contract.

05:46 KELSEY: Thank you so much for that explanation, Erika. I know that we recently passed an Evidence-Based Funding Model. Can you help us understand how that might fit in to this DFP process.

05:56 ERIKA: Thank you for asking that. I love talking about evidence-based funding. Yes, as I mentioned, the DFP allows us to separate revenue coming from local sources, again property taxes being an example of that. It also allows us to look at state sources of revenue and federal sources of revenue. So, as you may know, evidence-based funding is now the primary formula for driving unrestricted dollars to school districts.

06:23 Each year, the amount that districts will receive in evidence-based funding will likely change so one of the cool things we can do in the model is again, not just review what happened with evidence-based funding in the past, but compare that to what the district has in the books in the budget and then do some modeling moving forward.

06:42 Now I will stop here to do a quick plug for the finance trainings that we will be hosting from January through April all around the state to help our members understand how to use our District Financial Profile Model.

06:57 One of the things we’ll talk about during those trainings is how evidence-based funding fits into future funding for your district. And, one of the cool things we can do on the projection side of the model is actually include the most up-to-date information coming to us from the State Board of Education regarding the amount that each district will receive.

07:18 So, to get to your point, Kelsey, evidence-based funding is a big piece of the modeling section of the DFP and it’s one of the ways our districts and our locals can get a handle on what the revenue picture will look like for the next couple of years.

07:32 DIANA: So, if I’m a member and I’ve attended a financial training, what do I do next?

07:37 ERIKA: Awesome. Well, I should mention that these trainings that we host are open to not only our bargaining teams that are going to be sitting at the table with the district, but also our locals and members who are just interested in getting a better handle on their district’s financial situation.

07:54 So, assuming you’ve attended one of our fabulous trainings and you’ve walked out with a good understanding of how to use the DFP, the next step would be using that tool in conjunction with your bargaining team as you are reviewing district proposals and thinking about your own proposals to offer to the district.

08:12 I would say once I’m done with all of our field office trainings in April, I spend a good part of my time in May going back and forth with our locals as they’re considering different proposals and using the DFP as one of our primary tools to look and see how different projections coming from our school districts can impact whatever proposal we put on the table.

08:36 Something that our locals don’t always realize is that we are able to ask our school districts for their projections, specifically around local property taxes, which for most districts in the state is the primary funding source for supporting programs and students.

08:54 So, we can talk, we will talk, during the trainings about how to ask some of those questions of the district and I think the cool part of the tool is that after we’re done with our trainings and our locals are actually at the table with the districts, when we receive those updated projections from districts, we’re then able to build that into our tool to get a better handle on what the district thinks is going to happen.

09:16 Now, it doesn’t always mean that we’re going to agree with the district’s projections, especially when we’re bargaining. We have one vantage point and the district has another vantage point. But, by using the trend side of the tool, it gives us a handle on if in fact the district is providing information that does in fact pass the smell test or if there’s some additional questions we can ask to really refine the model and use it to full effect.

09:42 KELSEY: Excellent. Thank you so much for that information. So, just kind of to follow up, if a bargaining team is at the table, they’ve used the AFR and the DFP to help them get started, if they have more questions or need additional support, what’s kind of the process there?

09:58 ERIKA: Yeah, great question, Kelsey. So, know that our UniServ Directors are always going to be the connective tissue between our membership and other staff within the IEA. So, the request would be, if you do have questions when you’re at the table, whether your UD is there with you at the table, that you funnel the questions to your UniServ Director. If they’re not able to respond they can get that question to me or someone on the Research staff.

10:24 Now, know that our UniServ Directors, many of them have gone through these same finance trainings before so they are familiar with the DFP tool and have use that in bargaining as well. So, know that there is a lot of support available in using this tool. Essentially, the way to think about the DFP is it allows us to grab the most important pieces of your district financial information.

10:47 And, instead of having you wade through pages and pages and pages of all these complex financial documents, just distill that information in to one spreadsheet. It does take some time to understand how to use the spreadsheet, but once you’re there, it can be a great tool. And again, your UniServ Director and field staff and certainly IEA Research is happy to support you in using the DFP.

11:08 DIANA: Thank you so much for sharing all of this very helpful information today. Is there anything else you’d like to mention?

11:15 ERIKA: There is, actually. As we are starting to get into the bargaining prep season, something that I will be doing during the fall is working with many of our locals on salary schedule models. That is a service that we provide through the Association. So, if your local is interested in getting an updated salary schedule model, or is at the point where you’re thinking that you might want to make some adjustment to your salary schedule, or you don’t have a salary schedule currently and are thinking that that might be part of your proposal in your next contract, this would be the time to work with your UniServ Director to get on the IEA Research calendars so that we can have these conversations about salary schedules sooner rather than later.

11:59 Once we get into the finance trainings in the spring, we need to take a bit of a hiatus on working on salary schedule models. So with that in mind, if you are interested in doing some salary work that’s awesome, let’s go ahead and start that sooner rather than later so by the time we get into December, you have a working document you can use with your bargaining team.

12:19 KELSEY: Thank you so much for spending some time with us today, Erika. If you have any questions, comments, or feedback, please check out the contact section on the Podcast page on the IEA Website.

12:27 Diana: Special thanks to Mark for the audio help, Amanda for the transcription, and Dan for the website. As always, thank you so much for being a member, and thanks for joining us!

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