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Consumer Price Index decrease to hit Mundelein schools

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BY DANI SCHWEIGERT

Local school districts aren't sure yet exactly how much the drop in the Consumer Price Index (CPI) for December 2008 will affect them, but they know the effects mean they need to be financially cautious and prepared.

The CPI, which determines the increase in property tax revenues a school district can collect from one year to the next, fell from 4.1 percent last year to .1 percent this year. While some months this past year had a better CPI than December, said Fremont School District 79 Superintendent Dr. Rick Taylor, December is the month used.

The .1 percent will affect the tax-cap formula that drives school districts' 2009 tax levies and will impact the taxes collected in spring 2010, which in turn will impact districts' budgets for the fiscal year that starts July 1, 2010.

Tough economy

"It just shows you how volatile the economy at the state level is, which will impact school districts," Taylor said. "It will have a major impact on every school district in the county that's under tax caps."

He said more will be known this summer about how the state will fund for schools, and that it's possible that for the 2010 budget year, Fremont might experience a decline in the overall Equalized Assessed Value (EAV) in the district.

Dr. Cynthia Heidorn, superintendent of Mundelein School District 75, also is concerned about the EAV for her district because it will impact homeowners' share of the 2009 levy. She said because the district will get a .1-percent tax increase on the 2009 levy, financial restraint will have to be implemented, and staff reductions are expected. But she doesn't anticipate staff reductions in the 2009-10 school year because of the number of people retiring or leaving the district.

Diamond Lake School District 76, however, won't be affected by the CPI because of a referendum the district passed Nov. 4. The referendum will reallocate \$1.4 million from the bonds and interest fund (also known as the debt-service fund) to the education fund, meaning there will be no tax-rate increase. That money will help the school keep its programs, including athletics and summer school.

Passing the referendum means the tax-cap formula that will determine the 2009 tax levy won't apply to district 76, said Colette Ford, business manager for the district.

"We are one of the lucky ones, though we are still affected by changes in the EAV," she said.

Mundelein High School District 120 Business Manager Gary Lonquist said he has been tracking the CPI for the last 16 years, and he has never seen it this low. The most recent five-year average for CPI declined from 3.03 to 2.68 percent, he said.

He has been using 2.5 percent in his projection calculations (because that has been the average), and he now will go back and recalculate to factor in the .1 percent for 2010-11.

"We have some time to prepare for this, so I'm not going to panic, especially for the 2009-10 budget," he said. "It's not just the CPI decrease that will affect us, but a significant reduction in the rate of property growth in the area. We're all going to be a bit more cautious."



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