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## Schools project deeper deficits next year

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Wilmette school officials are projecting deeper deficits in 2010 as a result of a nearly flat inflation rate that will sharply curtail their property tax revenue.

News this month that the Consumer Price Index (CPI) rose by a mere .1 percent in 2008 has sent school business officials scrambling to rework their forecasts.

The U.S. Bureau of Labor Statistics reported in mid-January that the CPI for 2008 was the lowest in 54 years, once a steep drop in gas prices late in the year offset increases in other sectors.

The news signals a reprieve for weary property taxpayers in 2010 because the tax cap is set to the rise in consumer prices. However, the low cap portends financial trouble for area school districts and other tax-capped governments that will see virtually no increase in real estate tax receipts in 2010.

Locked into contracts

School districts will be particularly hard hit because many are locked into multi-year teachers' contracts awarding salary increases above the rate of inflation. Salaries and benefits make up the lion's share of the school budget.

"Tax caps already have caught up with us; we are already into deficit spending," said Kevin Nohelty, business manager of Wilmette District 39, speaking of a projected \$3.3 million deficit in the current budget that could prove overly optimistic. The deficit will reduce reserves from \$18.9 to \$15.6 million.

The rate of erosion is likely to accelerate due to the flat tax cap that will kick in next year.

"In the end, what it means for us is that we will have to dip further into our fund reserves," said Nohelty, adding that the district is always looking for ways to save money away from the classroom. The district's five-year contract with the Wilmette Education Association awards most teachers pay raises averaging 5.5 percent a year during the last three years of the contract. The cost of providing health insurance has risen by about 10 percent.

Referendum likely

"We are going to have to look at some sort of alternative revenue source and most likely that will be a referendum," said Nohelty, stressing that such a decision rests with the School Board. The district's last referendum was in 1997.

Donald Goers, associate superintendent of New Trier Township High School District 203, predicted the low CPI would reduce income by \$2 million a year beginning with the 2010-11 budget. "We now have an unanticipated deficit," said Goers, noting the earlier forecast was built on the premise that property taxes would grow by 2.75 percent, "which seemed quite conservative six months ago."

The district plans to establish a Superintendent's Committee to address the financial shortfall in a report due in March. The goal will be to reduce or eliminate the projected deficit.

Homeowners will have to wait for any whiff of tax relief from the low inflation factor. The tax bills that arrive later this year will reflect a 4.1 percent tax cap, the highest since caps were enacted by the Illinois legislature.



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