Rebuttal to District 200 President Terry Finnegan's article entitled: "Criticism of District 200 levy is misinformed"[i]

By Barry Epstein, Ph. D., CPA, CFF and Barb Langer, Ph.D.

One of us, Langer, co-authored the article[ii] that Mr. Finnegan is addressing. Our present rebuttal refutes his remarks as follows.

Speaking as President of the District 200 Board of Education (D200 BOE), Mr. Finnegan makes multiple references to the supposedly timely release of the D200 financial statements for FY2012, but seemingly ignores provisions of state law and Policy 3432 of the D200 Policy Manual that require this release to occur immediately following the June 30 Fiscal Year-End. Policy 3432 states in relevant part:

> "The District shall annually issue a Comprehensive Annual Financial Report (CAFR) [and] The auditor shall make an annual report to the Board of Education…IMMEDIATELY FOLLOWING THE JUNE 30 FISCAL YEAR-END…the District…[must also] prepare and submit…the ISBE Annual Financial Report (AFR). THIS REPORT WILL BE … APPROVED BY THE BOARD OF EDUCATION …IMMEDIATELY FOLLOWING THE JUNE 30 FISCAL YEAR-END [and]…THE CAFR AND AFR WILL BE POSTED ON THE DISTRICT WEB SITE UPON BOARD APPROVAL."[iii]

Thus, Langer stated accurately that the BOE withheld its reports for almost 5 months by failing to post them until on or about 19Nov1012, rather than immediately following June 30.

November 19 was four days after the 15Nov2012 BOE Meeting, at which Langer objected to both D200's proposed new 2.5% levy and its delay in posting its FY2012 Comprehensive Annual Financial Report, which includes a line item for "Cash and Investments" in its Statement of Net Assets. Thus, she did not err in her November 21 article by stating the BOE covered up its $123 million in idle and wasted "cash and investments" for as long as it could. Nor was she mistaken is saying that D200 did so because that huge surplus will not bear public scrutiny, since it obviates any need for the new, 2.5% tax levies the BOE proposes to pass on Dec. 20.

The BOE uses a straw-man device -- brandishing the specter of potential future cost increases -- to argue for current tax increases. That is simply not valid, particularly given the size of the "cash cushion" the BOE already possesses, which gives it the ability to have any tax increases lag, rather than lead, possible increases in future costs that may or may not even materialize. Cost increases that are later incurred can be dealt with adequately using this approach, leaving resources in the hands of taxpayers until, and unless, actually needed by D200. Thus, Mr. Finnegan is mistaken in asserting such undocumented speculations justify a 2.5% property tax increase.

Mr. Finnegan dwells on using the CPI-U to cap D200 levies. That's a red herring. Apart from providing an upper limit on tax increases, changes in the CPI-U or any other reference to general price levels are wholly irrelevant, since it fails to speak to the real measure of interest, namely the change in the cost of education." This becomes of limited pertinence, in any event, since we are not arguing that the cap is being exceeded, but rather that any tax increase at all is unwarranted. because an increase in "cost of living" does not, *per se*, imply that the "cost of education" has gone up equivalently, or at all, and it is the cost of education that needs to be addressed in the context of any proposed tax levy increase.

Mr. Finnegan claims "if the district were to skip a year of levy,…it would not be permitted to request another levy until a new referendum passed." Where is Mr. Finnegan's documentation for this? He gives no source for this claim. D200 has passed unilateral new levies most years since fully phasing in the 2002 referendum in December 2005. Mr. Finnegan offers no documentation that skipping a year would prevent D200 for trying to pass another unilateral levy next year or any year thereafter.

Mr. Finnegan states that, without a new levy on December 20, D200 would be "going into deficit spending of reserves" [that would] trigger the next referendum." This is errant nonsense and misleading. It implies that the moment that D200 dipped into its $123 millions stash, it would be engaging in "deficit spending". In fact, even if D200 never increased taxes again, it would still take D200 decades to exhaust its stash and approach authentic deficit spending that could trigger another referendum.

Mr. Finnegan implies that D200 will exhaust its cash Stash for unspecified "increasing student enrollment." If student enrollment increases significantly, it can't be for long, since U.S. birth rates have fallen to the lowest rates on record.[iv] In any event, Mr. Finnegan sets forth no equation giving the budget increase on a per student basis, which increase may be insignificant in comparison to D200's Stash.

Moreover, if and when D200 assumes the pension obligations currently paid by the state, this will amount to only about $7 million, or less than 6% of D200's $123 million stash. D200 could pay the state's obligation and settle all of its outstanding bonds and still have almost $100 million left in cash and investments.

Given Mr. Finnegan's systematic misrepresentations and logical fallacies, documented herein and in Langer's Nov. 21 and Nov 13[v] Viewpoints articles and in Nov 23-4 One View article, which the *Wednesday Journal* accepted in writing, promised to print on Dec 6 and then censored[vi], it is difficult to credit his claim that "the board remains committed to practicing sound fiscal management."

The BOE's claim to be "delivering excellence in education" is also difficult to credit, given Oak Park-River Forest High School's recent ranking in the *Chicago Tribune*.[vii] OPRFHS tied for last place out of the "Top 50 high schools in Chicagoland. Only "69.4% of D200 students … met or exceeded state standards."

How does Mr. Finnegan reconcile such low rankings with having the fifth highest number of Days of Cash On Hand of the 879 school districts in Illinois[viii]? How does he reconcile such low rankings with an average District salary of over $100,000 for administrators and teachers, particularly when many higher ranking high schools pay their administrators and teachers less? Clearly, D200's luxurious professional compensation and mountain of idle cash have not translated into better student performance. Instead, the opposite appears to be the case.

The bottom line: The only significant question is whether D200 has a legitimate need for further taxpayer funding. Our analysis shows any new levy to be entirely unnecessary at this time, or for the foreseeable future.

The assertion, even if true, that the proposed levy is lower than a state-imposed limit, is also a meaningless, straw-man comparison. Again, if the increase is unnecessary, it is wrong to impose it, even if this were the lowest tax increase in the entire nation -- or in all of recorded history, for that matter.

Finnegan's argument that unless a levy is added at this time the opportunity will be lost absent a voter referendum, is also bogus. The Board has demonstrated the twin failures of poor prognostication skills and the inability to put idle funds to work for even a modest rate of return. Gathering more such funds, just to avoid the messiness of a later referendum, means otherwise hard-working funds now in the hands of the taxpayers will be added to the Board's unproductive stockpile of idle funds, which would obviously be dysfunctional from a societal or macro perspective.

Additionally, what Mr. Finnegan is painting as an unwelcome burden of having to later hold a referendum is actually the very exemplification of democracy at work -- the voters will have to be educated, wooed, and won, with solid arguments and real facts, if the Board were to regain the public's trust and its concurrence for imposing new taxes. We seem to recall that the War of American Independence had something to do with reserving this very right for the citizens to wield.

Lastly, the Board's self-serving citing of cost savings achieved is also irrelevant, since its responsibility as fiscal steward is to do exactly this -- not just now, but all the time. Rewarding cost savings with higher taxes is oxymoronic, or worse.

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[i] Mr. Finnegan's article appeared in the November 27, 2012 issue of the *Wednesday Journal*, p. 23, 28Nov2012.
http://www.oakpark.com/News/Articles/11-27-2012/Criticism-of-District-200-levy-is-misinformed/

[ii] Langer B, Thomas V: **District 200 rushes levy increase, survey.** *Wednesday Journal*, p. 23, 20Nov2012.
http://www.oakpark.com/News/Articles/11-20-2012/District-200-rushes-levy-increase,-survey/

[iii] http://intranet.oprfhs.org/board-of-education/board_meetings/Current%20Policy%20Manual%20July%202012.pdf

[iv] http://www.washingtonpost.com/local/us-birth-rate-plummets-to-its-lowest-since-1920/2012/11/29/ee7e8d16-3a3f-11e2-b01f-5f55b193f58f_story.html

[v] Langer B: **Say no to District 200's new tax levy increase.** *Wednesday Journal*, p. 26, 13Nov2012.
http://www.oakpark.com/News/Articles/11-13-2012/Say-no-to-District-200's-new-tax-levy-increase/

[vi] This is the article Langer submitted to the WJ on Nov 23-24 that the WJ accepted and said it would print on Dec 5 but instead censored. The WJ also said that it would give this unpublished submission, without Langer's authorization, to D200 to rebut and that it would print D200's rebuttal next to Langer's piece below on Dec 5. Thus, the WJ not only deliberately delayed timely publication of Langer's piece, but then distributed it to D200 unpublished and then finally reneged on its promise to publish it on Dec 5.

D200 Seeks 2.5% Tax Hike, Despite $123 Million Stash
Join the Property Tax Revolt!

It's official. OPRF D200 covered up the 10.8% increase in its "cash and investments", a growing stash which we now know rose by $12 million from $111,406,711 in FY2011, to $ 123,485,166 in FY2012.

D200 hid the increase to its stash because it can't justify, not even to the most credulous OPRF booster, the 2.5% property tax hike it plans to enact on December 20. BOE members aren't jumping the corrupt and luxurious D200 ship in record numbers for nothing.

D200 first disclosed its stash increase on or about November 19, by posting its 2012 Comprehensive Financial Report (CFR). It did so only after we accused D200 in previous WJ articles and BOE meeting speeches of withholding the CFR to hide the growth in its stash since FY2011. D200 was supposed to publish the 2012 CFR almost 5 months ago, on June 30.

D200 steadily increases its stash: 1) from the ongoing, full, 2006 phase-in of its 2002 Referendum, a 2.95% property tax levy ostensibly swelling the "education fund", and 2) by near-annual additional December levies swelling other "funds." The 10.8% stash increase is 6.4Xs greater than inflation (*i.e.*, than FY2012 CPI: 1.7%).

It's no coincidence D200 first dropped "Community" from OPRF's Organizational Chart in its 2006 CFR. D200 made "Community" irrelevant and itself independent when it phased in the full 2002 Referendum rate.

Reasonable people must wonder how a school hoarding 11% more wealth than last year has the gall to increase our taxes 2.5%. Do D200's CFO Cheryl Witham, Superintendant Steve Isoye and their willing accomplice, the D200 BOE, have no shame? Why should they, with about a quarter million each in compensation and Isoye's non-performance based, uncapped, five-year contractual gravy train, which could exceed $1.3 million?

Will D200's greed and avarice incite a Property Tax Revolt?

Only if D200 taxpayers unite and obtain an injunction against D200's unconscionable new levies before D200 passes them on December 20.

Please come forward if you can obtain a legally-enforceable court order to stop D200's ruinous new levies.

Please also come forward immediately if you'll run for one of the four open BOE seats on a platform to repeal and refund D200's 2002, 2.95%-property-tax-increase Referendum, which is the source of D200's ever-increasing stash and power. Only a BOE majority is empowered to repeal and refund the 2002 referendum. So repeal and refund will happen only if at least four incorruptible people run on that platform and are elected together on April 9, 2013.

If any less than four new, reliable candidates committed to repeal and refund are elected, then we can all count on paying annual property tax increases henceforth. Such increases will ensure the present rate of increase in D200's stash, which is slated to be worth almost $0.5 billion in another 20 years, by 2031.

It's our money. But not for long, unless we all fight back now!

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[vii] See 2012 Illinois school report cards, http://schools.chicaogtribune.com/lists/best-overall-psae.

[viii] http://en.wikipedia.org/wiki/List_of_school_districts_in_Illinois