

Meeting Minutes

Property Tax Relief Task Force School Funding and School Property Tax Levy Subcommittee

Meeting #4

October 1, 2019

12:00 – 2:00 p.m.

Videoconference Room, 100 North 1st Street, Springfield, IL 62777

Videoconference Room, 100 West Randolph Street, Suite 14-300, Chicago, IL 60601

Property Tax Relief Task Force School Funding and School Property Tax Levy Subcommittee members present in Chicago:

- Representative Fred Crespo
- Representative William Davis
- Representative Stephanie Kifowit
- Representative Diane Pappas
- Representative Sam Yingling

Property Tax Relief Task Force School Funding and School Property Tax Levy Subcommittee members present by phone:

- Representative Terra Costa Howard
- Representative Sara Feigenholtz
- Representative Jennifer Gong-Gershowitz
- Representative Barbara Hernandez
- Representative Deanne Mazzochi
- Representative Mike Murphy
- Representative Michelle Mussman
- Representative Nathan Reitz
- Representative Anne Stava-Murray
- Senator Jil Tracy
- Representative Tom Weber
- Representative Lance Yednock

Property Tax Relief Task Force School Funding and School Property Tax Levy Subcommittee members absent:

- Representative Dan Brady
- Representative Marcus Evans, Jr.
- Representative Joyce Mason
- Senator Donald DeWitte

ISBE Staff present

- Amanda Elliott, Executive Director of Legislative Affairs
- Jason Hall, Director of State Funding and Forecasting
- Barbara Hobrock, Legislative Affairs Coordinator
- Tami Kittell, Administrative Assistant III
- Kelly Weston, Assistant Legal Counsel
- Robert Wolfe, Financial Officer

Co-Chairs: Fred Crespo and Stephanie Kifowit

I. Welcome

Representative Crespo brought the meeting to order at 12:06 p.m.

II. Roll Call

Roll call was taken and a quorum was present.

III. Approval of September 25, 2019 Minutes (voice vote)

Representative Pappas made motion to approve the September 25, 2019, minutes. Representative Crespo seconded the motion. The motion passed by unanimous voice vote.

IV. Presentations / Discussion

a. County Assessors:

Warren Dixon, Naperville Township Assessor, spoke regarding the Tier system and stated he would like to modernize the Tier system. If districts are placed in the wrong Tier positions due to inaccurate valuations, then it sends dollars to one district that has the local available resources and away from districts that are not receiving it. It is critical to reach a more accurate evaluation process the first time for clean data and integrity.

Tax Increment Financing (TIF) was excluded from the school funding formula because it was not a resource to the school districts. It was a resource to the municipality. There are 900 assessment jurisdictions in Illinois. Technology allows us to do this on a much more efficient basis. We need to raise the education

requirement in order to increase the quality of the assessments, so we can get more people to do it right the first time and reduce appeals. Under the Property Tax Extension Limitation Law (PTELL) established in 1991, unintended consequences resulted for school districts that are PTELL. Extension growth is capped at a multiplier of the prior year extension. This creates a disincentive for districts abating or reducing their levy. If they abate, they cannot get the last three years' extension or benchmark.

Mark Armstrong, Supervisor of Assessments (Kane County), reviewed *Hearing Handouts for October 1, 2019*. The County Clerk will take in both the levies and the assessments and that is how tax rates are calculated. The change in tax rates are not always reflective of the change in spending. Residential tax bill rates tend to be higher than those in more industrial areas.

John Emerson, Director of Tax Extension (Kane County Clerk's Office), introduced Brit Hitchins, Director of Tax Extension (Will County Clerk's Office) and Kip Wilson, Tax Extender (Lake County). Together, they are responsible for over 1700 taxing districts. They are willing to be a resource while this subcommittee is finding a solution. Mr. Emerson explained TIFs, PTELL calculations, and the effect of a tax freeze and how much school districts will receive.

Representative Crespo spoke regarding school district's days cash on hand. Some have very little and others have up to 200 percent of their operating budget. How do we address this? Maybe we need to reevaluate the PTELL model.

Fritz Keige, Cook County Assessor, thanked the subcommittee members for school funding reform and asked that the property tax to school levies be fair. Mr. Keige spoke about appeals that have happened and getting the assessment correct the first time. Improvements in the assessment system will allow school funding to be more

stable. Districts can face a budget surprise when an appeal is successful. Getting the assessments right the first time benefits our children and schools.

Mr. Keige spoke regarding HB0833 (Public Act 101-0453). The bill states that a person who has been granted a senior citizens homestead exemption need not reapply for the exemption. Mr. Keige spoke regarding SB1379, the data modernization bill, which will impact every assessment moving forward by requiring more data upfront to streamline the process. The data will be exempt from the Freedom of Information Act (FOIA) requests. The Assessors, Illinois Association of School Boards, Illinois Federation of Teachers, Chicago Teachers' Union, and ED-RED support SB1379 amongst other strong supporters. The hope is to have this subcommittee as well as the whole Property Tax Relief Task Force to aid in the effort.

Representative Kifowit asked if Mr. Keige could state for the record how his efforts to properly assess the properties in Chicago would affect the state of the whole under Evidence-Based Funding (EBF), because EBF does take into account local capacities. Mr. Keige responded that he does not know all the workings of the formula but as assessment level rises in Chicago, it increases the amount the Chicago Public School (CPS) pension fund can levy. Mr. Keige and Mr. Emerson agreed the passing of SB1379 is better for Chicago and the need to get the valuation correct the first time is imperative.

Tasha Gibbons, Chief Legal Counsel (Cook County Assessor's Office), stated that high tax rates can play into the school funding formula if they have more accurate data. It is very important to ensure the assessments are accurate. Representative Crespo stated that there are multiple years of appeals dating back to approximately 2007. When these are settled, the refund is taken out of the current years' expenses. Getting the data right is imperative.

Representative Yingling asked what the education level should be for assessors. Mr. Keige stated we need to increase the standards for assessor certifications like other states. Supervisors are stepping in to do appraisals and valuations. A proposal will be presented this veto session. The information will be shared with the Task Force.

Ms. Gibbons stated that rules for Cook County are different than other counties. More accurate numbers will reduce the amount of refunds. This will help school districts keep more money in their pockets.

Representative Crespo asked if this topic has been captured elsewhere since this is beyond the scope of this subcommittee. Representative Yingling stated it has except for the education portion; that is why the conversation began.

Representative Kifowit asked, if the local funding capacity increases in Cook County and the city of Chicago, how does that effect the funding formula statewide, if the local capacity increase shows that it has more ability for resources than previously stated. Robert Wolfe, Financial Officer, Illinois State Board of Education, stated in the EBF formula, property values are utilized in the distribution to calculate the Local Capacity Percentage (LCP) resulting in a percentile ranking. If a county is undervalued and now higher valuations are recognized in the formula, every district in that county would increase in local wealth and there would be a forced funding decrease for the others. There is a cap at .9 for the Local Capacity Percentage calculation. Representative Kifowit asked if schools can move from Tier 1 and Tier 2 due to this. Mr. Wolfe answered yes, a district that is on the border could go from Tier 1 to Tier 2 provided that their Equalized Assessed Valuation (EAV) increased dramatically.

Mr. Emerson stated there is a hold harmless provision in the school funding formula. If one district was undervalued and could move from Tier 1 to Tier 2, unless you take away the hold harmless provision, the state funding is not going to

change. This would require a reset of the school funding formula under the more accurate assessment system. You are looking at how you reset that. Mr. Wolfe stated there is the Base Funding Minimum (hold harmless) provision in the formula. If the Local Capacity Percentage (LCP) would increase as a result of increased EAV, the district would get closer to adequacy and they will receive less of the new funding in future years.

The Property Tax Relief Grant (PTRG) was discussed. This legislation was revised last year. The grant program allowed certain districts to abate their levy by a certain amount that would not affect their PTELL extension the next year. Representative Gong-Gershowitz asked if there is a way for a district to recapture the PTELL amount if they abate. Has there been legislation proposed that would address that? Mr. Wilson stated that is what the PTRG allows. This is offered statewide for a one-year project. Mr. Wolfe stated that language in the PTRG requires that when abatement occurs in order to qualify for the grant, that the county clerks are instructed to include that abatement amount in the extension amount multiplied by CPI for PTELL calculations. This is based on the actual levies. Representative Pappas asked if the law was based on the theoretical highest instead of the actual highest, would that solve the problem? Mr. Emerson stated it would. A school district consistently levying below their limit, that limit could rise, and they would have a large levy. Mr. Emerson stated the areas that would get hurt the most in a school levy freeze would be the lower valued districts. Tier 1 and Tier 2 would be hurt the most. Representative Crespo said it is not a one size fits all.

Mr. Wilson asked that the Representatives please talk to their County Clerks and Assessors to see if proposals will work before proposing a bill in the future.

b. ISBE Follow Up

Representative Crespo asked when referendums are needed. Amanda Elliot, Executive Director of Legislative Affairs, Illinois State Board of Education, stated she would send the statute to him. Voter approval was not required for a purchase

of an administrative building in a particular district. Each situation differs as to when a referendum is needed. Representative Crespo asked once a district reaches adequacy, is there a mechanism in place to limit the amount to raise their levy. Mr. Wolfe stated there is nothing within the formula that puts any restriction on the amount. Representative Crespo asked if we should look into it. Mr. Wolfe stated that it was up to the policy makers to put into place.

c. Report

Representative Crespo stated the subcommittee must report its work to the Task Force by October 11. The next subcommittee meeting will be October 4th. The subcommittee will discuss what to include in that report at that time. Members are encouraged to email recommendations to the chairs.

V. New Business

None.

VI. Public Participation

None.

VII. Adjourn

Representative Crespo adjourned the meeting at 1:47 p.m.