PROPERTY TAX RELIEF TASK FORCE

Meeting Minutes
Monday October 28, 2019
10:30am
Howlett Building Auditorium
501 South 2nd Street
Springfield, Illinois 62701

The Property Tax Relief Task Force met on October 28, 2019

MEETING START
Meeting scheduled to start at 10:30am

AGENDA

I. **Welcome/Roll Call**
   a. Representative Yingling called the meeting to order around 10:45pm CDT and welcomed members.
   b. Roll Call was taken. Quorum was met at this time.

Name	Present
Senator Belt	Yes
Representative Bennett	Yes
Representative Brady	Yes
Representative Bristow	Yes
Representative Burke	No
Senator Bush	No
Representative Butler	Yes
Representative Carroll	Yes
Representative Cassidy	No
Senator Castro	No
Representative Conroy	Yes
Representative Costa Howard	Yes
Representative Crespo	Yes
Senator Crowe	Yes
Senator Cullerton, Tom	No
Senator Cunningham	Yes
Representative Davis	Yes
Senator DeWitte	Yes
Representative Didech	Yes
Representative Edly-Allen	Yes
Senator Ellman	Yes
Representative Evans	No
Representative Feigenholtz	No
Senator Fine	No

Name	Present
Representative Mason	Yes
Representative Mayfield	No
Representative Mazzochi	Yes
Senator McConchie	Yes
Representative Meier	Yes
Representative Meyers-Martin	Yes
Miller, Emily	Yes
Mock, Cameron	Yes
Representative Morgan	No
Senator Morrison	No
Representative Morrison	No
Representative Moylan	No
Senator Murphy	Yes
Representative Murphy	Yes
Representative Mussman	Yes
Representative Pappas	Yes
Senator Peters	Yes
Representative Ramirez	Yes
Representative Reitz	Yes
Senator Righter	No
Representative Rita	No
Representative Robinson	No
Senator Sims	Yes
Representative Sosnowski	Yes

Representative Flowers	Yes
Representative Ford	No
Senator Gillespie	Yes
Senator Glowiak Hilton	Yes
Representative Gong-Gershowitz	No
Representative Grant	Yes
Representative Greenwood	Yes
Senator Harmon	Yes
Senator Harris	Yes
Representative Hernandez	No
Senator Holmes	Yes
Senator Hunter	Yes
Representative Hurley	No
Senator Hutchinson	No
Representative Keicher	Yes
Representative Kifowit	Yes
Senator Link	No
Senator Manar	No
Senator Martinez	Yes
Senator Martwick	Yes

Senator Stadelman	No
Representative Stava-Murray	Yes
Senator Steans	No
Representative Stuart	Yes
Representative Tarver	Yes
Senator Tracy	Yes
Representative Ugaste	Yes
Representative Unes	No
Representative Villa	Yes
Representative Villanueva	Yes
Senator Villivalam	Yes
Representative Walker	Yes
Representative Weber	Yes
Representative Wehrli	No
Representative Welter	No
Senator Wilcox	Yes
Representative Williams	No
Representative Willis	Yes
Representative Yednock	Yes
Representative Yingling	Yes
Representative Zalewski	No

II. Approval of Meeting Minutes

a. Minutes from August 29, 2019 were brought up for approval by Representative Yingling. The motion was made and seconded.

b. Vote - unanimous voice vote in the affirmative.

III. Presentations by Subcommittee Chairs

a. Presenting for the Assessments and Exemptions Subcommittee was Chair Representative William Davis.

   i. Findings with Assessments and Exemptions are as follows:

      1. The committee tried to meet weekly with various speakers presenting. It appears that assessments are somehow having an impact on overall property taxes. The issue of classifications was brought up in a meeting and was expressed to the members it needed to be addressed, especially in Cook County, since its classification system is different than any other county in Illinois. This has a big impact on the property taxes. Chairman Davis has left this to Representative Yingling to decide how classifications fit into the overall committee. There is not just one solution to solve in order lower the property taxes. All the subcommittees need to work together, by introducing multiple pieces of legislation that will have different impacts, in finding a solution to lower property taxes in the state of Illinois.

   ii. The Assessments and Exemptions Subcommittee continues to hear testimony. They will continue by having speakers from around the state testify until the taskforce concludes. The next conversation will be with the Chief Assessor of LaSalle County.

iii. The subcommittee feels the assessment side is an important part of this committee in order to lower property taxes. This includes residential as well as the commercial side. The Committee, will hopefully, as others are, land their plan and have an appropriate conclusion as the task force ceases.

b. Presenting for the Government Consolidation Subcommittee was Chair Representative Jonathan Carroll.

i. The committee has met 4 times and has looked at 3 areas:

1. Local Government Consolidation
2. School Consolidation
3. Workforce Consolidation

ii. Recommendations are as follows:

1. Carroll said HB 348 and SB 90 (McHenry Township Consolidation Bills) could be potential statewide options. We need to recognize that not all townships are created equal. The question of how much government is needed should be left up to the voters. Voters should have as much information as possible in order to make an educated decision. He said clarifying language should be added to the law created by HB 348.
2. Carroll said school consolidation should be discussed. An idea was proposed to have all school districts become unit school districts within the next 10 years. The committee agreed that consolidating school districts into one body will help lower the property taxes. They were concerned about the amount of work being done by principals. During testimony it appeared a lot of principals felt they were being overworked and not properly supported. One thing the committee reviewed was "what is the role of the upper administration of school superintendents and other administrators" and, "what are they doing to help support the school system". It comes down to should we offer the school administrator what they are worth calculated by the amount of work they are doing.
3. Carroll said the committee also looked at HB 2297, which proposes consolidating the Cook County Forest Preserve Police with the Cook County Sheriff's office. He said the legislature should look for other examples of units of government like this.
4. The Civic Federation stated, the US Census indicates we have 6,918 units of government in our state. The Comptroller's office stated we had 8,525 units of government. We need to figure out which one is accurate and why is there such a discrepancy reported to us. And, what is being reported during the census.

5. Finally, Carroll talked about giving the Comptroller's office more power, by creating a group that can audit local taxing bodies.

c. Presenting for the Local Pensions Subcommittee was Co-Chair, Senator Robert Martwick.
   - i. Martwick said, at the time of this meeting, the Governor's Task Force on local pensions was also meeting. The Subcommittee heard from 3 panels:
     1. City of Chicago
        - a. Talked about their pension issues and where they are. They have many financial challenges which exceed what we deal with in the state, especially their municipal fund.
     2. The Department of Insurance
        - a. Martwick said it was a more factual question and answer session. The subcommittee asked about the funding levels in anticipation of a potential consolidation funding bill and how often Comptroller intercepts are used.
     3. Professor (Dr. Kent Kris) with the University of Illinois observed the following:
        - a. Pensions place a significant burden on property taxes.
        - b. The situation is likely to get worse if funding policies are not strengthened.
        - c. Consolidation is an excellent idea to drive efficiency, but it does not replace funding.
        - d. Standard practices must be tightened. Many localities use amortization practices, which are not recommended. We are using actuarial standards that are designed to underfund these systems. It saves a short-term budget but creates an expediential worse problem for the future. Kris then talked about net amortization. He said amortization and actuarial practices are a big determinant of what the future growth of pension cost and what liabilities will be. He said we are doing it wrong. He said the net amortization is the way to look at the future.

d. Presenting for the PTELL and Local Governments' Tax Levy Subcommittee was presented by Chair, Representative Mark Walker.
   - i. Walker noted that PTELL (Property Tax Extension Limitation Law) was the last major attempt by the legislature to tamp down on property taxes. It was an opt-in program started in 1991. By 1996, 60% of the counties were in PTELL. Walker said it was well understood by the local taxing bodies. In simple language, the primary concept is, taxing bodies are limited in extending next year's property taxation to their current level plus inflation as measured by CPI. Adjustments to the limits are then made for new construction, financial impacts of bonding, TIF expirations, and various other reasonable justifications for growth.

ii. Walker said they looked at PTELL two ways, 1) as something to be improved and 2) as a method for other recommendations of the overall Property Tax Commission to be implemented.
Walker outlined five ideas which are attached at the end of these minutes.

e. Presenting for the School Funding and Property Taxes Subcommittee was Co-Chair, Representative Stephanie Kifowit.
   i. Kifowit noted the subcommittee met five times and they heard from a variety of those who are involved in school funding. Some of whom overlapped with other committees. The following issues were discussed:
      1. Review situations where school districts spend on capital projects without a referendum.
      2. Review situations where school districts have2-3 years' worth of reserves but also levy the highest rate available.
      3. Instances of continual bonding. Some school districts would get a bond for a project, and once that project was completed, they would extend the bonds to flow to other projects.
      4. Identifying funding streams to earmark education funding and help achieve a state parity of funding with 50%.
      5. Direct abatement of debt to lower taxes.
      6. Model number or administrators. Currently, evidence-based funding only has best practices for principal-to-student ratios.
      7. Mandate relief.
      8. Incentives to assist school districts to reduce energy costs.
      9. Restructuring aspects of the tax system.
      10. Examine a rubric/calculation table, that would limit the added tax burden of the debt service levy by mandating an abatement of th levy for those districts with reserves over 50 percent.
      11. Extend the "Hold Harmless" clause within the original Property Tax Relief Grant legislation.
      12. Review impact of tax increment financing districts (TIFs) on school districts and discuss potential changes.
   ii. Kifowit noted other ideas were submitted but not considered. They are included in the report at the end of these notes.

f. Presenting for the Social and Economic Disparities Subcommittee was Chair, Representative Mary Flowers.
   i. Flowers noted the Property Tax Relief Task Force was created to identify the causes of increasing property taxes across Illinois. The taxpayers are over-taxed. Research was done by the subcommittee and the team of coalitions across the state. The subcommittee reviewed the best practices in public policy strategies. The committee made recommendations to assist in the development of administrative and legislative changes, which are needed in order to create short/long term relief to home owners.
   ii. Flowers referenced the "Tax Divide" article set in the *Chicago Tribune* which showed poor people were subsidizing wealthy people's taxes.

Poor people's property taxes were increasing on the South and West side of Chicago, while the wealthy people's taxes were decreasing on the North side. The residential assessments are wrong and need to be corrected. The practice of over-valuing lower priced homes is what's causing people to leave the state of Illinois. People are losing their homes, not because they can't pay their mortgages. They are losing their homes because they can't pay their taxes. Flowers said, there was discussions about some type of restitution for the people who have been over-taxed due to incorrect assessments.

iii. Flowers said the subcommittee attended a meeting in Cole County where she heard concerns about commercial properties not being assessed correctly.

iv. Flowers said there was testimony indicating there were too many taxing bodies in the state of Illinois. She said some school administrations need to be consolidated.

v. Flowers said they also heard testimony about tax breaks available to property tax payers. One idea was creating a tax break for the disabled. Flowers also said, there was testimony regarding tax breaks that were unfairly distributed, such as the Cook County exemption for those making less than $100,000, It seemed it was only taken advantage of by those on the North and Northwest sides of Chicago.

vi. Flower said a final idea was, preventing foreclosures before a tax appeal was completed.

The School Funding Report is included at the end of these notes.

g. Presenting for the TIF Districts Subcommittee was Co-Chair, Senator Ann Gillespie.

i. TIF subcommittee had 2 hearings. The first had representatives from CTVA, The Taxpayer Federation and ITI. It was an educational hearing to explain the impact of the TIFs that showed a success rate. The 2nd hearing was a water hearing which impacted by TIFs. It included representatives from EdRED, Illinois Municipal League, IEA, Illinois Community College Trustees Association, Illinois Tax Increment Association, Northwest Suburban Teachers Union, Illinois Economic Development Association, Chicago's Teachers Union, UIC, Urban Planning and Policy, a Representative from a school district from the South Suburbs, written testimony from Federal Government Association, City of Chicago Finance Chair. The committee heard success stories and failures.

ii. The subcommittee heard TIFs are most effective when they are in manufacturing districts and less successful in retail environment. This is due in part, to retail establishments who move a short distance within a town taking advantage of TIF district, but don't bring retail into the area. There was mixed research into the performance of residential TIFs.

iii. Recommendations:

1. Shorten TIFs from 23 years to a 10-15 years range. Data shows if they are going to be successful it will show in the first 7 years.
2. Tighten up the definition of “blight” and linking it to objective standards like poverty, crime, brownfield status, etc.
3. Requiring greater transparency, particularly with regard to the school districts and other taxing bodies. And be sure to have the disclosures available to taxpayers before approval of a TIF. Full disclosure of performance throughout the TIF period, including the impact of surpluses that are generated during the TIF with possible payouts to taxing bodies.
   The TIF report is included at the end of these notes.

IV. Member Q&A of Subcommittee Chairs

i. A legislator said he was aware PTELL tells us how much can be levied but asked about the debt service extension base where a lot of people consider it a never-ending credit card for school districts. It is basically a renewal of bonds, so they can continue renewing over and over. Representative Yingling confirmed, the committee will be adding descriptions in order to prevent bonds from being renewed continuously.

ii. Representative Mazzochi said she had proposed a subcommittee on conflict of interest issues. She noted nothing was in the reports addressing this and urged the committee to address these issues in their completed reports which are due December 31, 2019.

V. New Business

a. No New Business

VI. Public Comment

a. No Public Comment.

VII. Adjournment

a. Representative Yingling adjourned to the Call or the Chair.

<u>PTELL Subcommittee Report</u>

<u>Potential Directions for Property Tax Commission Consideration</u>

PTELL (Property Tax Extension Limitation Law) is a fairly complex system designed to limit the growth in property tax extensions around the state, based on some straightforward concepts. In simple language, the primary concept is that taxing bodies are limited in extending next year's property taxation to their current level, plus inflation as measured by CPI. Adjustments to the limit are then made for new construction, financial impacts of bonding, TIF expirations, and various other reasonable justifications for growth. Of course, the formula itself, definitions of terms, legal allowances, etc. are all more technically described in the various applicable statutes and PTELL Technical Manual available from the Illinois Department of Revenue, for those interested in a deeper dive.

PTELL participation is an "opt-in" choice by county, for non-home rule taxing bodies, and roughly 60% of the state geography and taxing bodies are covered by PTELL. However, because Cook County and the "Collar Counties", and other urban/suburban counties have opted in, PTELL impacts the vast majority of taxpayers in Illinois.

Since PTELL is a well-established tool,and is well-understood by most taxing bodies in Illinois, impacting the bulk of our property taxes, the subcommittee has viewed it both as something which might itself be improved, but more significantly as the method by which other recommendations of the overall Property Tax Commission might be implemented. We have decided to present five options for action involving PTELL, rather than our specific recommendations on the strategy overall. Each of these options would require further research, analysis, bill crafting, and formal committee reviews, before becoming actionable bills. The PTELL options are not exclusive, and might be combined in part or in whole. Each might become part of an overall Tax Commission strategy, in combination with other elements from other subcommittees, e.g. funding commitments, reserve limitations, TIF changes, reductions in unfunded mandates, consolidation, tax freezes or reductions, etc.

Any idea not taken up by the overall Commission, can become a separate bill, for consideration in the GA.

<u>PTELL-Related Changes for Consideration:</u>

A. "**Recapture"**

Many taxing bodies will take the maximum levy allowed by PTELL in a given year, regardless of actual needs or reserves, in order to maintain the ability to use that higher number as a base for calculating their limitation in future years. We need to remove incentives for taxing bodies to take maximum levies in any given year, simply to avoid limitations in future years. We should allow **"recapture"** of lost opportunities for tax extension increase, by extending ability to compute current PTELL limit as if maximum levy were taken within previous (x) years. Further analysis of the best structure of this recapture will continue in the bill making process.

B. **Voter Referenda**

There are some data showing that non-PTELL counties have lower, or at least not significantly higher tax increase rates than PTELL counties. There are other data showing that different economic growth rates are the most significant factor in this difference. One difference, which likely impacts taxing body decisions, is that non-PTELL counties are subject to voter referenda to lower tax rates or increases, with high hurdles and strict guidelines, while PTELL counties are not. We should consider allowing **voter referenda to lower taxes**, in all PTELL taxing bodies, consistent with non-PTELL taxing bodies.

C. **Limiting Growth Factors**

One striking finding, when looking at actual tax growth since 1991, when PTELL first started rolling out (it took ten years), was that the property tax growth greatly outstripped inflation, as measured by cumulative CPI growth. PTELL currently allows for new costs to the taxing body from new construction, by increasing the limit on tax extension using average costs for the whole body. There are arguably two problems with that part of the formula: a. The new costs to the taxing body incurred by new construction are simply assumed as if they are averages of current overall costs, while the actual marginal costs of growth are often significantly lower. b. Much of the infrastructure, buildings, departments, etc, are the result of investment made by current and previous taxpayers, and actual growth should lower their rates as more taxpayers join the community and spread the fixed costs.

We should study and remove, spread out, or **limit growth elements** in the PTELL formula for new construction, and possibly TIF expiration, in order to reduce growth and volatility in our tax burden.

The simplest way to reduce the growth for new construction in the PTELL formula would be to allow credit for 50% of new growth, or less, depending on what we might learn about the actual marginal costs. Of course, this will never be perfect, and we must use averages to come up with a fair rate. If the actual increased costs for a significant growth element for a taxing body exceeds the new PTELL limit, then it would be justified to bring it to the voters via referendum. We might also spread out the TIF adjustments over years, depending on what the TIF subcommittee recommends.

D. **Tax Freeze or Reduction**

PTELL is an established and useful tool to make widespread and significant changes to our property tax environment. For example:

If the overall Commission wishes to propose a **Tax Freeze,** for any period of time, we should, extend PTELL to all home-rule and non-home rule taxing districts, and establish 0% CPI and allow 0% for other growth rates, using the PTELL formula. (See SB 0316, 2015)

If the overall Commission wishes to propose a **Reduction** to previous lower tax rates, then one simple potential move would be to allow the PTELL formula to calculate a new extension based not on the current year extension, but on the lowest extension of the previous five years.

E. Another direction we are still considering, would be to continue actively studying why and how non-PTELL taxing bodies appear to be performing well in limiting property tax increases, and use that learning to improve performance across the state. We could **Remove PTELL** limitations and depend on local governments and local voters to produce responsible funding and taxing levels. Or we could search for a simpler future solution. We are not ready to make a recommendation in this direction but did not feel we should abandon this idea at this point.

School Funding and School Property Taxes Subcommittee Report

The School Funding and School Property Taxes Subcommittee met on September 12, 19, 25, and October 1, and 4, 2019. All meeting agendas, minutes, and materials of the subcommittee can be found on the Department of Revenue's webpage.

Members of the committee include:

School Funding and School Property Taxes
Representative Anne Stava-Murray
Representative Barbara Hernandez
Representative Dan Brady
Representative Deanne Mazzochi
Representative Diane Pappas
Representative Fred Crespo (co-chair)
Representative Jennifer Gong-Gershowitz
Representative Joyce Mason
Representative Lance Yednock
Representative Marcus C. Evans, Jr.
Representative Michelle Mussman
Representative Mike Murphy
Representative Nathan D. Reitz
Representative Sam Yingling
Representative Sara Feigenholtz
Representative Stephanie Kifowit (co-chair)
Representative Terra Costa Howard
Representative Tom Weber
Representative William Davis
Senator Donald DeWitte
Senator Jil Tracy

Presentations were given to the subcommittee by the following individuals and entities:

Robert Wolfe, Finance Officer, Illinois State Board of Education
Matthew Seaton, Superintendent, Streator Township HSD 40, representing Vision on Issues and Choices in Education (VOICE)
Jesse Brandt, Superintendent, Hall HSD 502, representing VOICE Sarah Hartwick, Executive Director, ED-RED
Peg Agnos, Executive Director, Illinois High School District Organization, LEND, and SCOPE
Robin Steans, President, Advance Illinois
Melissa Figueira, Senior Policy Associate, Advance Illinois
Matt Berry, Chief of Staff, Illinois Community College Board
Jim Reed, Executive Director, Illinois Community College Trustee Association
Mark Armstrong, Supervisor of Assessments (Kane County)
John Emerson, Director of Tax Extension (Kane County Clerk's Office)

Brit Hitchins, Director of Tax Extension (Will County Clerk's Office)
Warren Dixon, Naperville Township Assessor
Fritz Kaegi, Cook County Assessor

Members of the subcommittee discussed the following issues and recommend additional conversations regarding the them:

1. Review spending that should require a referendum.

2. Review situations where school districts have two or three years' worth of reserves. Can they lower their property tax levy?

3. Recapture of property taxes for districts that do lower their levy.

4. Continual bonding -- bond issues that do not expire but continue to be reissued.

5. Identify funding streams to increase funding earmarked for schools. (Goal is to get to 50 percent state funding and 50 percent local tax funding for core educational expenses.)

6. Direct abatement of debt to lower taxes.

7. Model number or administrators. Currently, Evidence-Based Funding only has best practices for principal-to-student ratios.

8. Mandate relief.

9. Incentives to assist school districts to reduce energy costs.

10. Restructuring aspects of the tax system.

11. Examine a rubric/calculation table by which to limit the added tax burden of the debt service levy by mandating an abatement of the debt service levy for those districts with reserves over 50 percent.

12. Extend the Hold Harmless Clause within the Original Property Tax Relief Grant legislation.

13. Review impact of tax increment financing districts (TIFs) on school districts and discuss potential changes.

Items for additional consideration submitted by individual members:

1. Set criteria for what represents good long-term planning and school administration that school boards can metric against to see if their costs are aligned or misaligned.

2. Reward school districts that plan wisely to avoid the need to call a referendum (e.g., maintain and replenish capital reserves based on expected building lifecycle).

3. Establish guidelines for appropriate reserves for capital maintenance/planning. Consider local flexibility in identifying a funding source for capital school infrastructure (e.g., permitting school boards to designate commercial property levies for capital infrastructure).

4. More local control for school boards to establish an appropriate levy mix. Expand permissible fund levy categories and allocations across property types to achieve improved school funding tied to local resources.

5. The constitutional provision relating to "Education in public schools ... shall be free": This has been held to be a judicially unmanageable standard by the courts and within the legislature's discretion to determine. What should define or qualify as the core educational components that must be "free," versus those that qualify as auxiliary, sports, or social services? Should social services in schools fall under or be able to draw from a different (or additional) state budgetary line item? Should property tax levies on seniors or businesses ever exceed the "core" funding levels?

6. Discourage the incentive to hit a maximum levy each year in PTELL districts; include an automatic "catch up" levy option every five or 10 years to what would have otherwise been the maximum without need for referendum.

7. Mechanisms for citizen/parent referenda to repeal misaligned school expenses that detract from educational benefits to the classroom.

8. Simplify the process for school boards to avoid state mandates that drive administrative costs or classroom time, but which fail to improve student outcomes.

9. Reform the current TIF law (65 ILCS 5/11-74.2-1 et seq) to discourage the inclusion of residential areas within TIF districts, unless a portion of TIF improvements is designated toward schools.

10. Reform the current TIF law (65 ILCS 5/11-74.2-1 et seq) to allow for an increased percentage of the TIF assessed value to be directed toward schools Allow a longer TIF period of recovery if a larger percentage (notably after the 10-year mark) is directed toward schools (including capital infrastructure).

11. Incentivize consolidation of administrative functions, including shared services entities run through the Illinois State Board of Education or private/public corporations/partnerships, with cost sharing to be tied to local cost-of-living standards.

12. Incentivize consolidation of school districts with additional referendum pathways (e.g., a referendum to trigger a consolidation study based on objective, metric-based cost-benefit analyses and, if a certain threshold savings is realized, then the consolidation may proceed).

13. Require all future state mandates to be subject to pilot program testing for three to five years before a recommendation to implement statewide can occur. A school from the district from the representative/senator sponsoring/co-sponsoring the mandate should be included, along with four other schools that reflect diverse funding, geographic, and student demographics. No mandate may go statewide absent improvement of 10 percent or more in predetermined outcomes in the student cohort under investigation in the pilot study. The cost of the implementation shall be borne by the Illinois State Board of Education until the pilot period ceases and may not be waived.

14. All school employees should be held to owe a fiduciary duty to ensure education dollars are used in a manner that is in the best interests of the students and institutional health of the school system.

15. Bond issuances/rollovers may only occur automatically without referendum review if (1) the new bond term is 50 percent less than the current term outstanding, or (2) the interest rates will be lowered to a degree that will pay for the bond reissuance (including costs for bond sales).

16. Administrator pensions should be abolished; failing that, administrator pensions shall be capped to not exceed the average household income in the State of Illinois.

17. Allow for local flexibility in salaries for difficult-to-fill teacher positions so that entire salary matrices are not inflated to secure candidates for a few hard-to-fill positions.

18. Auxiliary activities and services should be restructured to be pay-as-you-go programs.

19. Incentivize donations (including state matching funds) to educational foundations to support local schools in districts where the average state and local property tax bill exceeds the federal SALT cap limits; identify further ways to offset property taxes as a state tax credit.

20. Strengthen accountability metrics for pensions within a two-year statutory period.

21. An employee of a school district that fails to meet its pension obligations shall be responsible for the payment of those obligations or the earned benefit shall be reduced to correspond to the obligations actually paid by the school board/state. Alternatively, no individual may receive an annual pension that exceeds the median income in Illinois, unless the individual in question personally has fully funded any excess beyond that amount, in accordance with actuarial standards.

22. Increased freedom for curriculum for Tier 3/Tier 4 school districts and/or districts that are otherwise 85 percent or more locally funded.

23. An accounting of all Illinois Lottery funds and why that additional revenue source failed to meaningfully contribute funds to the school system.

24. A per pupil distribution based on local cost of living.

25. Streamline the process for removing dangerous/disruptive students from schools/classrooms.

26. Set statewide standards for professional conduct for educators to streamline the collective bargaining process and costs associated therewith.

Social and Economic Disparities Subcommittee Report

Sub-Committee Focus

Through racial and economic equity lens…

1. identify the cause of increasingly burdensome property tax across Illinois
2. review best practices in public policy strategies
3. make recommendation to assist in the development of administrative, electoral, and legislative changes needed to create short term and long-term property tax relief for homeowners

5-week breakdown

- Held hearings throughout Cook and Coles County to educate the residents on the property tax law, listen to the share their concerns and discuss possible solutions
    - Matteson Public Library
    - Austin Town Hall
    - St. Luke Missionary Baptist Church
    - Trumen College
    - Cross County Mall (Coles County)
- Sub-committee meets weekly to review hearing minutes and discuss new business/next steps

Best Practices

- The Tax Divide Study
    - Makes tax assessment **fair, equitable and transparent.**

What is causing the increase in burdensome property tax?

- **Unfair shifting** of tax burden
    - **Minority communities** are being particularly hit hard, especially black and brown
- **Unfair tax system**: systemic and structural
    - Very **regressive system**
- **Error-ridden** property assessments
    - Errors in residential assessments
- The practice of **overvaluing** lower priced home and **undervaluing** more expensive homes
- Assessments are **less fair** after the appeals process

Possible Solutions?

- Administrative
    - **Bring the system into compliance** with industry standards
- Electoral/ Legislative
    - Opportunity Zones
    - School District Consolidation
        - **859 school districts** in Illinois and **over 500 of those districts have less than 600 students**

        - Tax payers should not be on the hook for multiple layers of government that **<u>duplicates services</u>**, waste tax dollars, increase government debt and **<u>decreases transparency</u>**
    - Assessors should not be given bonuses
    - Land Banking
    - Selective Reappraisals
    - Sales Chasing

TIF District Subcommittee Report

This report of the TIF District Subcommittee ("Subcommittee") includes summaries of hearing held, written testimony received and the recommendations of the Subcommittee.

Subject Matter Hearings

The Subcommittee held two subject matter hearings on September 18 and 25, 2019.

September 18, 2019 Hearing: The purpose of the first hearing was for Subcommittee members to hear from experts on TIF policy and performance. Presenters included Ralph Martire (Executive Director, Center for Tax and Budget Accountability; Carol Portman (President, Taxpayers' Federation of Illinois); and Adam Schuster (Director of Budget and Tax Research, Illinois Policy Institute). Details of the testimony of Mr. Martire, Ms. Portman and Mr. Schuster can be found in the Minutes of the September 18 meeting. All three presenters agreed on the following general principles:

1. The results across the country on TIF performance is mixed. TIFs work better when they are used in more controlled settings.
2. Data analyses show TIFs are most successful in industrial areas, least successful when used in retail areas, and have mixed success rates in residential areas. Data shows the use of TIFs in suburbs lead to competition between towns rather than attracting new business to a broader geographic area.
3. The definition of "blighted area" is used too expansively and the "but for" standard (that development would not occur in the proposed district without a TIF) is not strictly adhered to. The presenters agreed that stricter definitions would be beneficial.
4. None of the panelists felt the 23-year term for a TIF is evidence-based. The data indicates the benefits of a TIF are generally seen by 7-10 years from inception. There was consensus around a 10-15 years term for TIFs: 10 years based on the performance data, 15 years based on the payback period need for any borrowing related to the TIF formation.
5. All presenters agreed more transparency is needed related to TIF districts, particularly related to performance and impact to all taxing authorities in the district.
6. All agreed that overlapping TIF districts, sharing across adjacent districts should be avoided.
7. Opinions were mixed as to what the authority of the Joint Review Board should be.
8. There was general consensus that surpluses should be shared with other taxing authorities in the district as soon as possible rather than held by the municipality.

September 25, 2019 Hearing: The purpose of the second hearing was to solicit input from various stakeholders in the TIF process. Presenters included the following:

1. ED-RED (Sarah Hartwick et al): primary recommendation is to allow weighted voting at Joint Review Boards by percentage of the property tax levy in the proposed TIF district.
2. Illinois Municipal League (Brad Cole): emphasized the value of TIFs in development and renewal, offering several examples of successes in downstate and central IL areas; noted the need for municipalities to retain flexibility.
3. Illinois Education Association – NEA (Larry Frank): noted the negative impact to schools particularly when a TIF district resulted in an increase in school enrollments

4. Illinois Tax Increment Association (Thomas Henderson): described the role of the Association in reporting on TIFs
5. Northwest Suburban Teachers Union (John Braglia): noted the impact to schools of long term TIFs and expansive TIF districts
6. Illinois Economic Development Association (Rob French) and Invest Aurora (Brian Gay): noted the benefits of TIF use in Aurora.
7. Chicago Teachers Union (Kurt Hilgendorf): highlighted the pervasiveness of TIFs in the City of Chicago in non-blighted areas
8. UIC, Urban Planning & Policy (Rachel Weber): presented regression analysis on TIF performance in Illinois showing between 2011-2014 Chicago-area municipalities using TIFs experienced a decrease in employment and establishments compared to municipalities that did not use TIFs.
9. SCOPE (Peg Agnos): reporting on the negative impact of TIFs on the South Suburban school district.

Written Testimony: The Subcommittee invited the City of Chicago Finance Chair and the Better Government Association to present. The City of Chicago Finance Chair declined, and the Better Government Association provided written testimony. BGA presented several examples of successful uses of TIFs and situations where the use of TIFs was abused. BGA concluded: "Illinois would do better, though, to re-examine the TIF statute with an eye to limiting the excesses that have given this important tool such a bad name. In general, those changes should include specific criteria to ensure that TIFs are being used to revitalize areas that wouldn't otherwise be attractive to developers; require governments to retire TIFs that have either accomplished their original goal or that haven't shown significant progress toward that goal; and promote transparency. In short, it should rein in the abuses."

Recommendations of the Subcommittee

The TIF Subcommittee recommends the following reforms of TIF District laws:

1. Shorten the timeframe for TIF Districts from 23 years to 10-15 years. Data presented indicates that any benefit generated by a well-structured TIF should be realized by 10 years. However, additional time may be necessary to satisfy bondholder repayment requirements. One option would be to specify a 15-year TIF term with a periodic report on performance and the distribution to impacted taxing bodies of any surpluses upon their generation rather than at the end of the term.
2. Tighten the definition of blighted to ensure TIFs are used for situations where areas truly cannot attract investment without the existence of a TIF. Linking the definition of "blighted" to objective standards would minimize the opportunity for abuse. Examples of such standards include: the average income in the proposed TIF district is X% above the Federal Poverty Level; the crime rate in the proposed TIF district is X% above the average crime rate for the surrounding county; the proposed TIF district has environmental clean-up needs that meet the requirements for "brownfield" status; the home foreclosure rate in the proposed TIF district is X% above the average for the surrounding county; etc.
3. Add requirements for greater transparency, particularly in the following areas:

a. Disclosure to taxpayers of the impact of the TIF district to other taxing bodies (e.g., how the assessment/levy for the school districts in the TIF is impacted). Disclosure of potential impacts should be part of the initial TIF documentation made public to taxpayers. Disclosure to taxpayers of actual impacts should be made on an ongoing basis during the term of the TIF District.
b. Full disclosure to taxpayers and impacted taxing bodies of TIF performance, including the generation of surpluses, throughout the TIF period to support recommendation (1).