

## Meeting Minutes

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

#### Meeting #5

October 4, 2019

11:00 a.m. – 1:00 p.m.

Videoconference Room, 100 North 1<sup>st</sup> 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 Terra Costa Howard
- Representative Fred Crespo
- Representative William Davis
- Senator Donald DeWitte
- Representative Marcus Evans, Jr.
- Representative Jennifer Gong-Gershowitz
- Representative Stephanie Kifowit
- Representative Deanne Mazzochi
- Representative Diane Pappas
- Representative Sam Yingling

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

- Representative Dan Brady
- Representative Mike Murphy
- Representative Michelle Mussman
- Representative Nathan Reitz
- Representative Anne Stava-Murray
- Representative Tom Weber
- Representative Lance Yednock

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

- Representative Sara Feigenholtz
- Representative Barbara Hernandez
- Representative Joyce Mason
- Senator Jil Tracy

ISBE Staff present

- Amanda Elliott, Executive Director of Legislative Affairs
- Jason Hall, Director, State Funding and Forecasting
- Leticia Pickens, Senior Policy Advisor, State Funding and Forecasting
- Barbara Hobrock, Legislative Affairs Coordinator
- 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 11:07 a.m.

II. Roll Call

Roll call was taken and a quorum was present.

III. Approval of October 1, 2019 Minutes (voice vote)

Representative Gong-Gershowitz made motion to adopt the minutes. Representative Mazzochi made note she was present on the phone for the October 1, 2019, meeting. Representative Crespo seconded the motion noting the amendment. The motion passed by unanimous voice vote.

IV. Presentations / Discussion

- a. Illinois Retail Merchants Association  
Not in attendance.
- b. Report Discussion

Representative Crespo stated the subcommittee will need to report to the Task Force on October 11 and asked for input as to the framework. The Task Force needs to take into account cash reserves and referendums. Clarity is needed on when you need to go to referendum or not. The purpose of the Property Tax Extension Limitation Law (PTELL) is to allow school districts to raise money or funds to make improvements, not just save money and add to their surplus.

Representative Costa Howard stated the PTELL Subcommittee just met and has several ideas moving forward to bring to the whole Task Force. There have been many Tier 3 and 4 districts that have shown major concern regarding comments relating to reserves. The idea of recapture held the most support because it gives greater flexibility. A lot of things coming out of the Subcommittees will have overlap.

Representative Gong-Gershowitz stated we are talking about giving local control to PTELL districts that to be able to recapture so it removes automatic levying. Is this the idea? Is there talk about a window on that recapture? Representative Costa Howard stated the original idea was to cap five years. Senator Wilcox thought a cap would not be a good idea. Evidence-Based Funding (EBF) does not capture things like investments in Early Childhood to improve outcomes. What is the relationship with PTELL and a recapture and the ability of allowing a school board to go to referendum? This is not part of the Tiers but districts may want to go to the voters and ask to go to referendum. Representative Mazzochi stated there is not anything keeping a school board from going to referendum (if they are under PTELL). This raises an interesting question. Every district differs in their operations and our taxing system does not allow for flexibility. We need to give districts local control to decide what is best for them. Representative Crespo stated allowing districts to go back and recapture what they lost without going to referendum would be an incentive to not levy at the maximum possible amount every year.

Committee members asked how a PTELL recapture would affect the Real Receipts calculations on the funding formula. Robert Wolfe, Financial Officer, Illinois State Board of Education (ISBE), stated ISBE would calculate the Real Receipts based upon the adjusted operating tax rate. If there is a recapture going forward, the invested tax rate would rise, which would be reflected in a greater amount of Real Receipts in the calculation. If there is a Real Receipts adjustment, that would only occur when the Real Receipts amount is greater than the Local Capacity Target (LCT) and the differential from that is added to the LCT, bringing the district closer to adequacy.

Representative Evans stated the point of this Subcommittee is to lower property taxes. We need to ask at a certain point, what is the difference between a \$50,000 education versus a \$60,000 education? What is the best method for the dollars? Representative Gong-Gershowitz stated the overall goal is to find a way to bring our property taxes down. Giving opportunities to districts along the way gives them local control. The state should not be telling districts how to reach adequacy. Can they do it for less and what does less look like? Everyone receives state dollars, but when they do not get extra dollars, they need to have flexibility. Districts do not want to be hampered in their decision making.

Representative Crespo stated in talking to districts, they are largely in favor of local control. The issue is property taxes are too high. How do we lower property taxes while protecting the districts? Cash reserves that exceed 200 percent is an issue we need to talk about. We have heard there are varying regional differences and that needs to be taken into account. There is not a one-size-fits-all solution. Representative Mazzochi stated if your goal is capital improvements and you have cash on hand for that, we need to encourage that; it is smart planning. Representative Yingling asked how many districts actually plan for 10-20 years so they do not have to go to referendum? Representative Mazzochi stated we do not reward

districts for doing this. There are a lot of people that had cash reserves to prepare for a lack of funding from the state. To what extent do we empower taxpayers to tell districts how they should be spending the funds? Do we allow taxpayers to see where the money is going and help direct funds? Representative Gong-Gershowitz stated the school board has one employee – the Superintendent. Parents do not have a say in things like curriculum. This is the job of the Superintendent. The local school board is responsible for making sure the Superintendent follows through. Parents are not educators and allowing them to direct funds – what would this look like? This is why we have school board elections to get taxpayers involved.

Representative Yingling stated it is important to recognize that in the absence of redirecting how we fund education from a different funding source, we will have this conversation indefinitely and this will not solve the problem. This Task Force was charged with reducing property taxes. People want to help pay for education but funding it through the property tax model is abusive and regressive. When you have people getting ready for retirement and they are faced with losing their house due to not being able to afford their property taxes, we have a huge issue. We need to identify new revenue streams to fund education. We have viable options on the table now such as the Property Tax Relief Grant. We need to seriously look at these options.

Representative Crespo asked if we fully fund education, under EBF, if districts reach that level of adequacy, how do we make sure property taxes go down. School districts can continue to raise their levies because they can. Representative Mazzochi stated if you are a Tier 3 or 4 school, you are not getting more money. If someone wants to live in a district that has very high property taxes, they are willing to pay it because they want their school to be the best statewide. You may not change their thinking by throwing more money at the model. Representative Crespo stated this is what we are trying to rectify. Representative Evans asked ISBE what is the breakdown of schools by Tier. The number of school districts in FY 20 by EBF tier assignment is as follows:

| <b>Tier 1</b> | <b>Tier 2</b> | <b>Tier 3</b> | <b>Tier 4</b> |
|---------------|---------------|---------------|---------------|
| 314 districts | 338 districts | 57 districts  | 144 districts |

Representative Mazzochi asked if they are broken down by Unit district, Elementary district, and High School district. Mr. Wolfe will provide that breakdown to the Subcommittee.

Representative Costa Howard stated the Tiers were never meant to be moved down if they were over adequacy. The model does not capture things like Early Childhood. We vote for our school boards; therefore, the taxpayers vote for local control decisions. Representative Yingling asked if your constituents want to spend more money in education or are they looking for property tax relief. Representative Mazzochi

stated they are willing to put money into teachers and the classrooms. We do not have a good structure to make sure it is going there. The senior population is okay with giving some money to education, but they cannot live with constant increases where they can lose their homes. There are not a lot of mechanisms to keep the taxes constant so they can engage in solid financial planning. Maybe the parents should pay more during the school year and seniors pay less? The one size fits all model has not been working We need to give more local control back to the school boards. There are ways to reduce the overall bill or change the base. If we start dictating that for everyone, there will be unintended consequences. Representative Yingling questioned isn't this why we have EBF? Representative Mazzochi stated if that revenue will get funded through EBF, Tier 4 schools will never see the extra dollars, yet their taxes will rise to pay for it.

Representative Kifowit stated there is no PTELL cap on debt. We need to look at districts that grew and have debt. If we can have some kind of debt relief, people would see that reflected in their tax bill. This would virtually be instantaneous. Committee members asked if we know an average debt levy. Representative Kifowit stated we do not know that but giving them the option would be immediate.

Representative Kifowit asked if ISBE can provide data to let us know an average model for administrators and what their role is. Senator DeWitte stated the Texas model has how many administrators per number of students. There are some districts that have had large reductions in students but not administrators. Representative Crespo asked if there is a mandate as to how many superintendents you must have. Mr. Wolfe stated within the Adequacy Target construction, there are ratios provided in statute as to how many principals per number of students. There is also guidance for central office expenditures. For Elementary Schools, the ratio is 1:450 students and allows for one assistant principal to be added to a school district's Adequacy Target for every 450 students enrolled. As for Central Costs, district Adequacy Targets include \$786 for every student for central office costs. That number has been derived through prior year Annual Financial Report (AFR) data. There are guidance points within EBF and they are not enforced. This is how we calculate every district's Adequacy Target.

Representative Mazzochi asked to what extent do Regional Superintendents aid in the federal reporting instead of putting that on districts? Mr. Wolfe stated some districts may have a Title I director, but smaller districts may rely on the Superintendent to do the reporting. That is a local decision based on the needs of the students in that district. To put this at a regional level, they will still need the staffing to make the decisions to report to the regional office. Representative Kifowit asked if ISBE has the ability to create a guideline (FAQ) on roles of administrators? Mr. Wolfe stated EBF was based on a study of best practices. Research was conducted, and the ratios were derived. There would have to be research studies to see the impacts and this would require a study. Representative Kifowit stated the Tax Increment Financing (TIF)

base does not get adjusted with the referendum amount. If everyone else pays, the TIF base should be adjusted accordingly.

Representative Crespo stated our charge is to reduce property taxes. People want to support schools, but the property tax bills are a burden. We need to have a larger scale conversation about cash reserves. How much do you really need to make sure you are covered? Representative Costa Howard stated we need to look at putting guidelines around cash reserves and when districts need to go to taxpayers to take on debt. If the taxpayers approve a debt bond, the district can leave that there and renew it for that same amount without going back to the taxpayers? Amanda Elliott, Executive Director of Legislative Affairs, stated that Representative Yingling asked about this weeks ago and it completely varies. There are bond attorneys that can write them in different ways, so it is dependent upon how it is written.

Senator DeWitt asked if most referendums are written for a specific amount. Mr. Wolfe stated it is for either a specific amount or specific project. It depends upon how it is written on the ballot. Representative Costa Howard stated there are districts that have bonds expire and they extend the bond because the rate is so advantageous, it will allow them to do another capital project without going to referendum. This can occur.

Representative Yingling stated this should be on the list for the report. We need to look into the language of when a referendum is needed. Cash reserves, bonding, and recapture in districts subject to PTELL should all be on the report. Unit school districts spend fewer dollars generally and this is worth investigating. Additional revenue streams to get education off the property tax bills should also be taken into account as well as referendum. Representative Gong-Gershowitz asked regarding Unit districts, are you referring to consolidation or just creating more Unit districts. Bigger is not always better. Consolidating may not make it efficient. Representative Yingling stated it is worth the discussion. We have to present a bold proposal. We have to address and tackle the property tax crisis in the state. We need new innovative ideas. This will be a heavy lift legislatively. If we do not have a bold proposal, this will be a waste of time.

Representative Kifowit noted leader Crespo's departure at 12:10 p.m. TIF says we freeze the value of the land for 20 years; it should change with the referendum. Senator DeWitte asked if that opens the door for library districts and park districts. Representative Kifowit stated they could lobby for that; considering that school districts account for 70 percent of property taxes and they are the hardest hit. Senator DeWitte stated schools have the greatest burden of all entities.

Representative Kifowit asked if there are any additions to the list of proposals. Representative Mazzochi asked to send a bullet list out to the Subcommittee for feedback. Representative Kifowit stated we will schedule another meeting next week to finalize the list. The list will include:

- some controls regarding cash on hand for districts;
- bonding question with regards to perpetually continuing the issue when it should be expired;
- recapture with regards to not forcing school districts go to the top of the levy each year;
- look at unit school district savings;
- TIF base;
- what goes to referendum and what does not;
- debt abatement for lower taxes;
- model for administrators which would be more policy driven;
- additional resources; and
- different funding avenues.

Senator DeWitte stated one issue is review the state burden to school funding as it relates to local property tax burdens. Look up revenue streams, i.e. existing sales tax base as a revenue source. There is a potential of lottery revenues. We need to review percentages between state and federal funding.

Representative Kifowit asked if we have a goal of a 50/50 split with state and federal funding. Mr. Wolfe stated the language in the constitution says the state should have the majority of the funding. We are currently at 1/3 state, 2/3 on local and federal funding. Ms. Elliott stated EBF language states all schools will be at 90 percent adequacy by 2027. Senator DeWitte agreed on the goal of 50/50 state share. This will be added to the findings.

Representative Mazzochi asked what it looks like for a 90 percent funded district. Representative Davis asked if they are then mandating that the schools reduce local property taxes. Senator DeWitte stated it depended upon where they are on funding. Some districts need to maintain funding. Representative Kifowit stated we need to dissect core educational spending and research the 50 percent split in funding. Representative Davis understands the idea of we are putting more in and asking them to reduce the need from the taxpayers, but to mandate that takes away local control. Representative Evans stated that Representative Yingling is trying to reduce the property tax bill. All things should be on the table. We need to throw out some scary things to get their attention to think about what really needs to be done. Representative Costa Howard stated we are supposed to put bold ideas forward. We need to be respectful to everyone as we go through this process. Many districts are not happy with EBF and we may see pushback from districts. They feel burned and are now asking for more support.

Representative Pappas asked ISBE how many high schools are in the state of Illinois. Ms. Elliott stated there are over 700 schools that serve a high school grade. We can get the exact numbers. Representative Kifowit stated the consolidation subcommittee is looking at this as well and this can be put in our findings. Representative Pappas asked for the number of schools that serve only grades 11 and 12. Ms. Elliott stated there are four school in the state that serve only grades 11 and 12. Representative Mazzochi asked if there are any stats on how many schools are authorized to issue high school diplomas. Ms. Elliott stated there

are 914. Representative Mazzochi asked how many districts that includes, and Ms. Elliott does not have that information currently.

Representative Kifowit reviewed the report listing as:

- Goal regarding school funding;
- Core 50/50 shared funding goal;
- Restructure tax system so school boards have more local control to build their funding base; and
- Mandate relief to reduce administrative burden.

Representative Stava-Murray asked if there are incentives for responsible energy usage. Representative Kifowit will add this to the list. Other additions are asked to be emailed to Representative Kifowit or Ms. Elliott and the findings will be compiled. Representative Mazzochi asked for the final list to be circulated to the subcommittee members.

V. New Business

None.

VI. Public Participation

None.

VII. Adjourn

Representative Yingling made motion to adjourn. Representative Pappas seconded the motion. The motion passed by unanimous voice vote. The meeting adjourned at 12:39 p.m.