

**Property Tax Relief Taskforce
PTELL Subcommittee**

Meeting Minutes

Monday, September 16, 2019

2:00 PM

James R. Thompson Center
100 West Randolph Street
IDOR Media Room (7th Floor)
Chicago, IL 60601

The Property Tax Relief Taskforce – PTELL Subcommittee met on September 16, 2019.

Meeting Start

Meeting scheduled to start at 2:00 PM.

I. Agenda

- a. IDOR staff called the meeting to order around 2:00 PM and welcomed members.
- b. Roll call was taken. Quorum was met.

Name	Present
Representative Terra Costa Howard	Yes
Representative Marcus C. Evans, Jr.	Yes
Representative Amy Grant	Yes
Representative Bob Morgan	No
Representative Mike Murphy	Yes
Representative Diane Pappas	Yes
Representative Mark L. Walker	Yes
Representative Sam Yingling	Yes
Senator Laura Fine	Yes
Senator Don Harmon	Yes
Senator Linda Holmes	Yes
Senator Dan McConchie	Yes
Senator Craig Wilcox	Yes

II. Guest Presentations

- a. Taxpayers' Federation of Illinois President – Carol Portman
 - i. Carol Portman introduced herself and indicated she will not be providing testimony, but Mike Klemens will do so.
 - ii. Mike Klemens introduced himself as founder of KDM Consulting and a former employee of the Department of Revenue for 20 years. He was

Manager of Policy and Communications, which included the Property Tax Division. His testimony highlighted the following points:

1. The Property Tax Extension Limitation Law (PTELL) was passed to limit the growth in property taxes to provide some relief to property owners, while also balancing the funding needs of the local taxing districts for services they provide. It does not cap property taxes, which is a common misbelief, but caps the growth in property taxes on an annual basis.
 2. Property owners often express that PTELL does not work because their property tax bills continue to increase each year; whereas, local units of government often express that PTELL does not work because it limits their perceived necessary funding increases. Mr. Klemens emphasized that the intent of the legislation was to limit the growth in property tax increases on an annual basis, which it seems to be accomplishing.
 3. PTELL was originally imposed on the Collar Counties – Lake, McHenry, Kane, DuPage, and Will – in 1991 and was then extended to Cook County in 1994.
 4. Beginning in 1996, downstate county boards have the authority to place a referendum on the ballot, allowing voters to approve or reject PTELL in their county. To date, voters in 33 counties have approved PTELL, while voters in 9 counties have rejected it.
 5. PTELL impacts K-12 school districts the most, since they are the largest recipients of property taxes. For taxing authorities that exist across county lines, such as a community college district, PTELL may not limit their power to increase tax rates unless all counties within the that particular authority have approved a PTELL referendum.
 6. PTELL utilizes the limiting rate, which allows a taxing district to increase taxes by 5% of the previous year’s value or by the rate of inflation per the Consumer Price Index (CPI), whichever is less. By referendum, voters can approve an increase in property taxes beyond the limitation set by PTELL. The 5% cap has never been utilized in PTELL’s lifetime due to lower inflationary conditions in recent decades.
 7. Debt service funds are excluded by PTELL.
 8. PTELL does not offer any benefits when property values decrease.
 9. Academic studies show that PTELL has slowed the growth of property tax increases.
 10. PTELL adds another layer of complexity to an already complicated property tax system that often confuses taxpayers any way.
- b. Illinois Association of Park Districts Legal/Legislative Council – Jason Anselment
- i. Jason Anselment introduced himself and emphasized that PTELL allows taxing bodies to cover their inflationary costs and that approximately 75% of the Association’s membership is covered by PTELL. Mr. Anselment covered the following three points in his testimony:
 1. Park districts represent 3.6% of property tax bills. On average based on Department of Revenue data, extensions have increased 3.25% each year, but park districts have only increased by 1.5%. Park districts’ overall share of property tax funds has decreased since 2013.

School districts represent approximately two-thirds of all property taxes and drive the bulk of increases, so any reform efforts for property taxes need to include this component. The school funding reform legislation reflects this effort, but it is still too early to see any intended results. A one-size-fits-all solution in property tax reform may not work out best for park districts.

2. Park districts have limited revenue sources – property tax levies and user fees - unlike other local government units, which can rely on the school funding formula, sales taxes, and hotel/motel taxes. Park districts do not have access to motor fuel tax or Local Government Distributive Fund dollars. Park district user fees are set to the local market, which often cannot be raised past a certain level without disrupting services to the entire community.
 3. Park districts serve as economic multipliers in their local communities. Property tax funds help generate other spending at hotel/motels, restaurants, and gas stations, which brings in taxes to other units of government. Park districts employ approximately 67,000 individuals, about half of whom are high school and college age and receive their initial job training/experience through such employment. According to one recent study, 60-62% of these jobs are filled by individuals who live in the community being served by the park district. Park districts provide after school/summer programs, scholarships, and senior services.
- c. Illinois Library Association, Director of White Oak Library District – Scott Pointon
- i. Scott Pointon introduced himself as a current director of a public library district and a former municipal library employee. He noted that his district witnessed a doubling of its population in a 20-year period, which brought greater demand for services. He noted intended and unintended consequences of PTELL.
 1. Intended consequences include:
 - A. The library district cannot raise property taxes without voter approval via referendum.
 - B. Property owners do have some protection on increased property values.
 2. Unintended consequences include:
 - A. PTELL does not cap an individual property owner’s assessment. Only the aggregate of property value/assessment is capped, which causes areas of increased value to experience a greater than CPI indexed rate in growth.
 - B. Library district boards are forced to maximize the levy.
 - C. If a library district board does not choose to maximize the levy in a given year, then that potential revenue is lost forever.
 - D. Taxing bodies are placed into an adversarial relationship with each other.
 - E. Disparity between wealthier and poorer areas becomes greater overtime. Even with the same percentage increases under PTELL,

wealthier areas experience greater budgetary growth in their taxing bodies, while poorer areas experience limited budgetary growth in their taxing bodies.

- F. Library districts often did not seek increased rates during growth years of local economy, but other taxing bodies did. Now, library districts are at a disadvantage after voters have previously approved other referenda questions for fire protection or school district rate increases. In addition, the technical language of a referendum question mandated by statute is often confusing for the average voter to understand.

- d. Illinois Township Officials of Illinois, Lisle Township Assessor – John Towbridge
 - i. John Towbridge identified himself. In response to a question asked by Representative Costa Howard, he indicated that townships represent about 3% on average of total assessment on a property tax bill.

- e. Illinois Municipal League, Executive Director – Brad Cole
 - i. Brad Cole, per conference line, identified himself and noted that Illinois has 1,298 municipalities. His testimony highlighted the following points:
 1. Municipalities have limitations under PTELL like other local units of government, but also have other taxing authority for revenue generation (e.g. sales tax and fees) on which they can rely.
 2. Municipalities also have mandated revenues that need to be generated from property taxes, such as a levy for police and fire pensions per the Pension Code.
 3. Non-Home-Rule municipalities often max out their extensions every year, similar to how library district boards indicated they do in earlier testimony.
 4. Some municipalities do not levy a property tax, while some levy a property tax but then abate it. This practice allows them to maintain a levy rate.
 5. Municipalities do not represent the biggest portion of a property tax bill.
 6. The Illinois Municipal League has been providing various property tax related reports to the legislators’ district offices.

- f. Others
 - i. Representative Yingling asked a series of questions. His first inquired about the concept of a county’s commercial/industrial EAV being collected into a single fund and then re-allocated to/shared by certain taxing bodies in the county, such as park districts, library districts, and school districts, as a way to help low wealth areas. In response, Scott Pointon expressed that his library district had a huge EAV but a low rate, so his district would suffer if it had to share its EAV with other such districts in the county.

Representative Yingling then inquired about the practice of some municipalities of levying a property tax but then doing an abatement of the taxed amounts. Is that practice also seen in library, park, and school districts?

Scott Pointon responded that it is not unheard of in library districts, but it is an uncommon practice. Generally, the increased CPI amount is enough to cover library district services without any significant amount leftover (to abate).

Representative Yingling also inquired about the nature of cash reserves by taxing bodies, particularly in township government. As an example, he cited that his township government maintained enough reserves at one point in time to pay for five years of services. As new development occurred and counties and municipalities increased services to these areas, townships were able to save more due to an expanding tax base and/or decreases in services they provide. John Towbridge indicated he is not aware of any widespread experience of townships maintaining cash reserves, although he limited his response based on his knowledge of DuPage and other collar counties. He is aware of a situation in which abatements have occurred by townships. It is possible that lone townships have done this practice of maintaining cash reserves.

- ii. Senator Fine inquired if it is possible to determine how much property taxes have increased in terms of a levy versus a referendum. She was trying to determine what the increase would have been under PTELL without any added amounts per voter approved referenda. Representative Costa Howard added that current re-assessments are also a contributing factor to increased amounts. As a method to exclude any referendum approved increases, Scott Pointon suggested that a taxing body could begin with 1991 as a base year and assume max levying each year thereafter to determine an overall increase to date for property tax amounts under PTELL. Some cross talk among unidentified members occurred regarding other factors including new construction occurring within a taxing body. Anselment commented that voters often approve school district related referenda to increase property taxes.
- iii. Senator Harmon acknowledged the current issues with PTELL and inquired if anyone has any ideas in how to improve it. John Anselment noted that one piece of legislation sponsored by Senator Harmon, Senate Bill 2256 from the 97th or 98th General Assembly, contained the concept of taxing bodies not losing the ability in future years to use any amount of increase/extension not utilized in the current year. Senator Harmon indicated that the House was concerned with the year of any recapture having a bigger impact on the taxpayers. Per Representative Walker's request, Senator Harmon explained the concept in further detail. Representative Costa Howard expressed that this particular area may not be remedied without addressing other significant issues. Giving local taxing bodies greater control and not penalizing them for not taking the maximum levy in a given year should be considered. Brad Cole responded to Senator Harmon's question with two specific ideas to help alleviate the property tax burden on homeowners. Consolidation of municipal pension funds would reduce the cost of such funds on individual

municipalities, while expanding home-rule authority to smaller municipalities would allow them to seek and rely on other revenue sources, such as sales taxes and motor fuel taxes.

- iv. Senator McConchie asked if anyone has researched the differences in property tax increases between non-PTELL counties and PTELL counties. He was interested in knowing if PTELL serves as an incentive for local taxing bodies to levy the maximum rate possible, thereby causing higher rate increases in comparison to their counter parts in non-PTELL counties. John Anselment indicated that the Association of Park Districts has not done such a study. Conducting a survey of members is possible. He reiterated that the average increase for park districts is 1.5%, but that does not distinguish between PTELL and non-PTELL counties. Scott Pointon indicated that the Library Association has not done such a study either. Generally, he is aware that many library districts did not increase rates for several years before PTELL. Carol Portman indicated that the Taxpayers' Federation had looked at this topic a few years ago, but it was difficult to parse out any conclusions from the data. Recollection is that there was no significant difference between PTELL v. non-PTELL. Senator McConchie shared some data he obtained from the Department of Revenue. It shows the overall percentage increases in counties between 1991 and 2016 as follows: a 280% increase in Cook County; a 307% increase in the collar counties; a 292% increase in downstate PTELL counties; and a 258% increase in downstate non-PTELL counties. It shows at an aggregate level that non-PTELL counties experienced the lowest increase overall. Difficult to draw any specific reason; however, Senator McConchie indicated that when counties shift from non-PTELL to PTELL they give up the ability for voters to lower tax rates via a referendum. PTELL only gives voters an option to increase rates via a referendum. Non-PTELL counties can do either via a referendum. Senator McConchie wonders if removing this ability can help explain the difference in overall growth in percentage increases between PTELL and non-PTELL counties. Representative Walker asked to Senator McConchie if the lower increases experienced by downstate non-PTELL counties would simply be the result of an environment of less resources. Senator McConchie responded that the growth is based on the percentage increase of the extension, so there appears to be a willingness to set a limit on the increase overall. Non-downstate PTELL counties show a significant difference in maintaining lower increases in comparison to downstate PTELL counties (over a 30% difference, 258% v. 292%). John Anselment suggested that one additional factor that might explain the larger percentage increases in the collar counties was overall growth in property values. Downstate counties would have experienced more stable property values.
- v. Representative Walker inquired about the definition of growth and how any differences can be utilized in calculating an increase in a given year. John Pointon explained that the county would make such a decision, not his library

district board. Mike Klemens provided an explanation/example of such a calculation. Representative Walker inquired if reserve amounts should be calculated as a limitation on the growth allowed under PTELL. In response, John Anselment referenced an annual fiscal report by the Comptroller's Office, which includes data on reserve amounts for local governmental units. Advised that the task force keep in mind how to define reserves. A difference needs to be made between operational reserves versus cash on hand that has a specific purpose. Carol Portman indicated that the Comptroller's Office contains a lot of fiscal data on its website regarding local governments, but not everyone is using the same definitions or standards when reporting the data. Making comparisons from such data is not easy to do.

III. New Business

Representative Walker asked subcommittee members to respond to proposed dates/times for the next meeting so he is aware who will be in attendance. Asked that members be ready to provide some proposed recommendations/changes in the area of PTELL that the subcommittee could consider. Announced that the next meeting will focus on education.

Senator McConchie would like to get some data from the Department of Revenue regarding PTELL versus non-PTELL counties and have the subcommittee review and discuss it.

IV. Public Comment

An unidentified individual in the audience made an announcement in regard to Representative Mary Flowers.

V. Adjournment

Subcommittee recessed to the call of the Chair.