

Meeting Minutes

Property Tax Relief Task Force School Funding Subcommittee

Meeting #3

September 25, 2019

12:30 – 2:30 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 Subcommittee members present in Chicago:

- Representative Stephanie Kifowit
- Representative Terra Costa Howard
- Representative Sam Yingling

Property Tax Relief Task Force School Funding Subcommittee members present in Springfield:

- Representative Mike Murphy
- Representative Dan Brady

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

- Representative Anne Stava-Murray
- Representative Jennifer Gong-Gershowitz
- Representative Michelle Mussman
- Representative Sara Feigenholtz
- Representative Barbara Hernandez
- Representative Nathan Reitz
- Representative Lance Yednock
- Representative Tom Weber
- Senator Jill Tracy
- Senator Donald DeWitte

Property Tax Relief Task Force School Funding Subcommittee members absent:

- Representative Fred Crespo
- Representative Joyce Mason
- Representative Marcus Evans, Jr.
- Representative Diane Pappas
- Representative Deanne Mazzochi
- Representative William Davis

ISBE Staff present

- Amanda Elliott, Executive Director of Legislative Affairs
- Jason Hall, State Funding and Forecasting

- Barbara Hobrock, Legislative Affairs Coordinator
- Leticia Pickens, State Funding and Forecasting
- Kelly Weston, Assistant Legal Counsel
- Robert Wolfe, Financial Officer

Co-Chairs: Fred Crespo and Stephanie Kifowit

I. Welcome

Representative Kifowit brought the meeting to order at 12:37 p.m.

II. Roll Call

Roll call was taken and a quorum was present.

III. Approval of September 19, 2019 Minutes

Representative Yingling made motion to approve the September 19, 2019 minutes. Representative Brady seconded the motion. The motion passed by unanimous voice vote.

IV. Presentations

a. Advance Illinois

Robin Steans, President, Advance Illinois, presented on how Illinois utilizes the Evidence-Based Funding model (EBF). The EBF model is designed to move the state to a more adequate and equity-based education model. Roughly 60 percent of school funding comes from property taxes, with 25 percent coming from the state. The national comparison shows about half of funding coming from local property taxes and 46 percent coming from the state.

EBF works by first giving each district an adequacy target that is determined per district. Next, the resources of the district are determined. A base funding minimum is added to by tier funding that takes into account the distance from adequacy and resources that are available per district. More state dollars are being directed to needier districts, with the idea being that the state will reduce the reliance on property taxes. As the state picks up more burden, districts have the potential to vote to reduce property taxes. With adequacy targets unique to each district, over 150 districts were below 60 percent funding. Over the three years under the EBF model, this has dropped to just 34 districts. More than half of districts are still below 70 percent funding.

The Local Capacity Target (LCT) aims to assess what districts should be receiving in tax revenue as reflected by district assets. For districts collecting taxes below their LCT, the formula uses their calculated LCT in their calculation of percentage of adequacy. This clearly shows that districts are responsible for a portion of how inadequately funded they are when they tax low. If districts raise more revenue to reach their LCT, they do not lose any eligibility for state funding. For districts taxing above their LCT, Real Receipts are adjusted downward towards their LCT in their calculation of percentage of adequacy. Therefore, state funds are not lowered to account for

greater-than-LCT local contribution. Districts can therefore lower their taxes and continue to receive more state funding.

Tax relief and adequate education spending may look very different for districts based on three factors: the level of student need in the district; the amount of spending actually occurring in the district relative to their Local Capacity Target; and the property tax rates in the district.

The Property Tax Relief Grant (PTRG) replaces local dollars with state grant dollars, allowing receiving districts to reduce property tax rates without dramatically reducing school funding. PTRGs compensate districts for reductions in their property tax levy. This was meant to allow the neediest districts to lower their property taxes with minimal or no loss in revenue for schools. FY 2019 data showed that the first year of the grant was directing a significant amount of tax relief dollars to districts that were currently funded above 90 and 100 percent of adequacy (Tier 3 and 4 districts). It was also favoring High School districts to the exclusion of Elementary and Unit districts. The General Assembly passed a bill to clean up the distribution of Property Tax Relief Funds. Now, property tax relief dollars go to districts that have high tax rates and are far from adequacy. All school district types have a chance to secure the grant. A loophole in the prior version was closed, so that if a district re-raises its property taxes within two years following receipt of the grant, they forfeit the right to continue receiving the original grant amount as part of their Base Funding Minimum.

Changes to local property tax structure will have consequences for the school funding formula and should be carefully considered and modeled to understand implications. A guiding principle of any property tax relief effort should be to ensure that tax relief measures do not interfere with a district spending enough to meet the needs of its particular student body. EBF provides tools to help make informed policy decisions about property tax relief without undermining districts' ability to provide a high-quality education for their students. Continued and increased investment in EBF by the state reduces the need for such a heavy reliance on local property taxes.

Representative Yingling asked for clarification of what the mechanism to lower property taxes would be and what ensures that funds from the state are spent as intended. Ms. Steans stated this is a local decision and that the state would assume that the funds are being used for reaching their local capacity target. Representative Yingling asked if the Property Tax Relief Grant can only be used once. Ms. Steans answered that a district can reapply, but it is likely that they would be less eligible. In addition, the grant would later be added to the base funding minimum, so that a permanent shift in property tax relief should occur. It was asked how the formula takes into account special circumstances such as deferred maintenance. Ms. Steans stated that this is where local referendum takes into account local needs that the formula may not document. Local conversations are needed to make sure these circumstances can be understood and acted upon. Representative Murphy asked if the tax payers know where and how the districts are taxing. He also asked if the 100 percent adequacy target is uniform throughout the state. Ms. Steans answered that all this information is available on the Illinois Report Card. All adequacy targets are different but are based on the same formula that calculate differently how weight would be applied towards student need. This considers both geographic and demographic factors via regionalization factors. Representative Costa Howard asked how a Tier 4 school could get to 50-50 funding and receive

more state dollars. Ms. Steans answered that these kinds of districts would see their funding change later in the future of the funding formula. Until then, the state will have to make management decisions to tell how long this change will happen. It was asked if Advance Illinois also considered debt in how the state could relieve property taxes. Ms. Steans stated that this has not been considered outside the formula, but a report next year will examine where the dollars from EBF have been allocated.

Senator DeWitt asked if the state made a determination to increase their contribution to education funding, how would this effect the local side of the equation of education funding. Ms. Steans answered that she would look into this and follow up with the data. The current required funds to get the state to adequacy would be \$6-7 billion, with a variable of student need causing the range to have to be considered. Any funding towards this target will be procedural and as a result of local and state personnel working together.

b. Community College Board

Matt Barry, Chief of Staff, Illinois Community College Board, introduced a presentation on behalf of the Community College Board. There are 39 districts for community colleges in Illinois. These districts are units of local government, all of which are elected, except for Chicago. Funding is from local property taxes, student tuition and fees, and state funding. The initial conception of funding was to take a third of funding from each source. Today, statistics are as follows: state funding is at 17 percent, student funding is at 39 percent and funding from local property taxes is at 44 percent. This funding distribution can vary greatly by district.

State funding derives from base operating grants and equalization grants. Base operating grants are funded at a cost basis per credit hour (\$413 per credit hour this year). This formula considers tuition and fees deducted from local taxes and the remainder coming from state funding. Because of the amount of state funding, \$153 from the state was prorated to \$34.53. Lowering property taxes increases state financial burdens. Equalization grants are aimed at low property tax districts. The state average is \$5,300 per student from local tax revenue. This was prorated to \$4,140. Districts over the threshold do not receive state support. There are about \$2 billion in deferred maintenance that colleges have to grapple with while considering lowering taxes

Representative Brady asked if the difference in property taxes is a result from district assets being valued differently. Mr. Barry affirmed this and that this differs according to geographical basis.

c. Association of Community Trustees and Illinois Council of Community College Presidents

Jim Reed, Executive Director, Illinois Community College Trustee Association, presented on how community colleges are valued for their affordability, transcript improvement capability, and high-quality professors. While a bachelor's degree is becoming more important for career success, there are great racial disparities in how this success is achieved. Community colleges offer equity towards those facing the brunt of these inequities.

Community colleges' support from local property taxes can differ. No one decision can truly encompass all college needs. Reserves are another issue that can also differ depending on the district they are in. Representative Costa Howard asked what the recommended reserves rate is for community colleges. Mr. Barry stated that no sweeping recommendation can be given as it is considered a local decision.

V. New Business

None

VI. Public Participation

None

VII. Adjourn

Representative Howard made motion to adjourn. Representative Brady seconded the motion. The motion passed by unanimous voice vote. The meeting adjourned at 1:36 p.m.