



DR. JOHN BURKEY
Executive Director

LUDA Property Tax Statement
September 18, 2019

Background:

Illinois' school funding model has long been a point of contention for many residents. If the State were starting from scratch to design a funding system, it's unlikely anyone would advocate for our current model. Since the advent of the first schools in Illinois in the 1800s, funding has been provided predominantly by local taxpayers through a tax on local property. Because of the wide variation in property values in different parts of the state, there is significant variation in the level of local funding for schools. In the past, the State attempted to lessen these differences through the distribution formula of General State Aid (GSA). In 2017 the State increased its efforts toward funding equity through the passage of the Evidence-Based Funding (EBF) formula, which directs more funding to districts with greater economic and student needs. Even with these advances, local property taxes still comprise the bulk of school funding in many districts, and property owners throughout the state feel this burden.

Illinois' taxing system is complex:

LUDA recognizes that property taxes are high in Illinois when compared to most other states. However, property taxes are only one part of a multifaceted taxing structure and cannot be viewed in isolation, either within the state or in comparison to other states' property taxes. For example, Illinois does not collect a sales tax on services, while most of our neighboring states do. There are, in fact, numerous factors that cause great complexity in relation to property taxes, and those considerations must be taken into account when approaching this issue.

Benefits of property tax-based funding:

While our current system of property tax-based funding poses challenges, it also carries benefits.

- Local property taxes provide the most stable and reliable source of revenue for public schools. Other state funding sources of public education are much more elastic depending on the overall economic conditions faced by the State. This stability has historically provided a buffer from the effects of economic downturns. In the Great Recession of the last decade, state funding was prorated and then frozen, for seven years. This cutback affected all districts, but it impacted students in districts with less property wealth the most severely. Without the relative stability of local property taxes,

this change would have been catastrophic for the students in less wealthy districts, likely resulting in significant teacher layoffs and program cuts.

- The property tax is transparent and locally controlled. Every year, locally elected school boards vote on the amount to be levied in their communities. That levy vote occurs after a notice has been posted in the community for 30 days and a levy hearing is held. These board members are all elected or appointed members of the community. Local citizens are not as close to the decision making of any other tax that they pay.

Our position:

As a state, we have both a moral obligation and strong economic incentive to ensure all students receive excellent education. No student's education should be put at risk due to outside economic forces. Illinois' public education system is diverse, and solutions to its challenges must recognize this complexity and work to address its inequities in a multi-faceted way.

- Our districts rely on the stable revenue provided by local property taxes, and history has proven that these locally controlled, transparent taxes are an important buffer against conditions outside the control of these locally governed districts.
- One-size-fits-all changes to the property tax structure simply will not work and will do a disservice to our students. The effects of a single change would differ greatly between, for example, a rural downstate district and districts in suburban Chicago with much higher assessed property values.
- Communities with higher relative spending are not immune to funding challenges. A property tax freeze would dramatically affect these districts, whose communities have approved referenda and annual levies to fund their schools at high levels. These districts could not reduce their spending without reducing staff and/or programs.
- LUDA continues to support the adequacy model and the advances the State is making toward increased equity through the EBF. However, because of EBF, our tier 2, 3 and 4 districts now rely more than ever on local property taxes. The ability to levy a CPI increase each year, is virtually the only new money these districts, especially Tier 3 and 4, can access. These districts should not be rendered unable to raise any new funding for their students.
- The work of the Property Tax Relief Task Force is important. Education is key to the future growth of our state and our ability to compete with other states. LUDA is appreciative of the Task Force's commitment to these issues and thanks you for its dedication to improving education for all Illinois students, and for involving education stakeholders in this process.
- LUDA continues to advocate against the one-size-fits-all solution of a property tax freeze. However, we recognize that residents throughout the state carry a heavy burden with property taxes. We remain ready to collaborate around solutions to change our tax structure, alleviate funding disparities, and ensure excellence for all children in Illinois.