

ED-RED PROPERTY TAX RELIEF SUBCOMMITTEE TESTIMONY SUMMARIES

October 2019

School Funding Testimony Summary

Property taxes play a significant role in funding public education in Illinois. ED-RED testified alongside LEND, SCOPE, and IHSDO to discuss the role of property taxes in school funding and the many items related to school finance that remain on the radar for school business officials and superintendents. ED-RED's testimony focused on the financial instability from the State over the last ten years and reasons most school boards levy to the PTELL cap.

The EBF funding bill made significant reforms to send much needed dollars to districts that do not have enough local wealth to support education in their communities. Districts that are dependent on property taxes for the majority of funding for schools agreed to the new funding formula in exchange for mandate relief, many acknowledging that it was the right thing to do.

It is important to recognize that all Illinois school districts have faced multiple financial factors in recent years. Even so, school districts have been doing their best to provide a quality education to its students and ensure financial stability despite a constantly changing political landscape that, over the last decade, has included prorated general State Aid, late State mandated categorical payments, falling EAVs, increased capital needs, changes to the funding formula, as well as numerous property tax freeze and cost-shift proposals. Given all of this uncertainty, some districts have accumulated larger fund balances.

Unfortunately, there is not a one-size fits all approach to what is considered sufficient reserves for all districts.

The decision by a school board to "under-levy" or levy at a lower amount than allowed by the PTELL currently has long-term and potentially harmful consequences to a school district's future finances. This is because any one "under-levy" for a school district will result in a permanent decrease in a district's future tax extension. Our school boards typically don't want to tie the hands of future boards. If they "underlevy" one year, that amount can never be recaptured. If school boards were allowed to recapture that under-levied amount in the future, or even a portion of that under-levied amount, school boards would be better able to balance short and long-term needs.

Government Consolidation Subcommittee Testimony Summary

As an organization, ED-RED has been involved in the policy discussions around school district consolidation and reorganization for many years, including in 2005 – the last time the state made changes to the incentives for consolidation, and as part of the development of the Classroom's First Commission in 2010. While the conversation around consolidation and reorganization has often been initiated as a way to identify possible cost-saving measures, ED-RED's role has always been focused on the ability of local school boards to balance what is best educationally for students, with the needs and interests of their local communities. Therefore, we support consolidation that is locally driven and which may be encouraged by, but not forced by, the State.

Unfortunately, over time, the focus of consolidation and reorganization has largely been driven by proposals to force consolidation. Additionally, misconceptions around consolidation and reorganization, particularly around possible cost-savings have driven the conversation. While it is true that there may be some savings due to a decrease in administrative positions (and those corresponding salaries), this is not necessarily guaranteed for several reasons:

1. The need for additional new administrative positions when new students, teachers and employees are added to a district,
2. Discrepancies within the tax code (unit districts levy at a lower rate than elementary districts and high school districts combined)
3. The required negotiation of a new teacher contract and salary schedule. Many negotiations will be driven by the higher salaried teachers within the districts. This disparity would be most pronounced at districts in which high school and elementary districts are consolidated.

4. Increased transportation costs due to geographically larger districts.

Additionally, there are already several pieces of legislation currently in place that have played a significant role in limiting increases to administrative salaries:

- There is a 5% cap on annual increases to expenditures in administrative accounts (School Code Section 17-1.5)
- Districts pay a TRS penalty on administrative salary (like teachers) on increases over 6% in the last four years of services.
- Districts pay the normal TRS cost of salaries over the Governor's salary (approximately \$175,000).

It is also important to keep in mind that there have been numerous pieces of legislation passed in recent years that were intended to improve transparency and school district accountability. However, they have increased administrative costs. Just a few include FOIA (every district must have a FOIA officer); PERA (teacher evaluations became much more time-consuming); SB100 (increased efforts to work with students and provide information to parents, additionally has led to some districts to hire Equity Officers to view district policies through an equity lens).

ED-RED supports the current incentives allotted by the School Code for district consolidation and reorganization. There are other items that could be added that would make consolidation more palatable other than increasing current incentives. Those items include:

- Examining the levy for unit districts to match when an elementary district and high school district consolidate;
- An idea that was batted around in 2010 (and many years prior) was a prioritization of school construction funds for consolidated districts – this has been out there for years without making its way through the legislative process;
- Forgiveness of debt for consolidated districts;
- Reinstating district flexibility to use third-party contracting as an efficiency tool; or
- Focusing the attention on low performing school districts or small districts and seeing if consolidation might provide better opportunities for kids.

TIF Subcommittee Testimony

ED-RED was joined at the hearing by Justin Attaway, Chief School Business Official at ED-RED member district Skokie School District #69, and Ares Dalianis, Partner at Franczek Law Firm. Ares provided the subcommittee with a summary of how the TIF law works from a school district perspective as well as the financial impact TIF districts have on schools.

Justin Attaway highlighted some areas of the TIF law that could be amended to address some school district concerns: Tighten TIF eligibility factors. The current criteria are often highly subjective and subject to broad interpretation by local officials;

Mandate that all TIF surpluses be distributed to the local taxing bodies first and that each taxing body is to be made "whole" before allowing TIF surpluses to be utilized for projects outside of the original scope of the TIF district; Change the reporting date from the county to school districts on property taxes from November to July (to give more time for planning and budgeting for schools);

Amend the function of the Joint Review Board. The JRB is currently perfunctory in role and limited in scope. We would recommend more transparency through items like a cost-benefit analysis or through additional public hearings.

ED-RED is committed to working to find solutions and reforms to the current TIF law. TIFs are options that, when used correctly, improve communities and the school districts within that community. However, as you have seen, there are some loopholes in TIFs that can unintentionally hurt schools and funding for schools which then leads to an impact on property taxes.

PTELL and Local Government's Tax Levy

ED-RED was joined at the hearing by Stacey Mallek, Assistant Superintendent for Business/Chief School Business Official at Arlington Heights SD 25. We testified to provide insight into the impact that PTELL has on schools on the following talking points:

- (1) School districts that are dependent on property taxes for the majority of their revenue receive little funding from other sources.
- (2) We support past legislative proposals to allow districts to recapture future dollars if school board "under-levies" for one year.
- (3) All of our districts are subject to PTELL and I think it's fair to say that PTELL has been successful in slowing down property tax increases. The average CPI over the past ten years is 1.8%. However, it is important to realize that other factors may increase the overall property taxes levied each year. Those factors include new property, property coming off of a TIF, and tax rate increase referenda. When you include those other factors, the overall average property tax growth in our ED-RED districts over the past 10 years is 3.2%. New property is an important factor to consider in the conversation over why overall property taxes have increased beyond CPI over the years. When new houses and condos are being built, they typically add new students to the district, but they also add to the district's revenue source.

Stacey Mallek responded to questions from the members of the Subcommittee related to PTELL and schools:

- Are PTELLs necessary or helpful?
- Impact of PTELL on school districts in Cook County.
- Stability PTELL provides in district planning and the importance of stability for kids.
- PTELL does slow the growth of property taxes over time.
- Districts that are depended on PTELL are limited for increases in revenue (and often use reserves) to handle with increase cost factors that districts have no control over such as utilities and health care. While districts are able to collectively bargain salaries, staying competitive in this market in which there is a teacher shortage has become more and more difficult. (note: 12 open positions this year, difficulties in hiring position such as psychologists and social workers that are members of the bargaining unit, but can make much higher salaries in the private sector).