

October 16, 2020

ED-RED's FY 2022 ISBE Budget Recommendation

The ED-RED Executive Board applauds Governor Pritzker, State Superintendent Dr. Carmen Ayala, and the State Board of Education for their support to ensure that all Illinois schools continue to receive the same level of funding in FY 2021 as in FY 2020 from the state, even in this unpredictable fiscal environment. It is because of this financial certainty from the state for the current fiscal year that school districts across Illinois were able to rise to the challenge and meet the educational and social emotional needs of their students during this pandemic.

As such, **ED-RED is urging members of the State Board of Education to, at a minimum, continue to hold funding for all school districts flat at FY 2021 levels** and utilizing federal dollars to fill any gaps created by a decrease in State revenue.

Districts across Illinois have continued to work to develop multiple contingency plans for both in-person, remote learning, and hybrid options for the rest of this school year and potentially into next school year. In addition to addressing the learning loss that many of their students have experienced, school districts are also working to address the significant mental health needs of both staff and students who have been impacted by this crisis.

ED-RED member districts acknowledge that countless Illinois residents and businesses now face unprecedented fiscal crises due to the COVID-19 pandemic. ED-RED leaders anticipate the fiscal peril caused by the lingering COVID-19 pandemic and have prioritized ensuring that students across the State continue to be educated, supported, and served. The Evidence Based Funding formula (EBF) was developed to provide this financial stability for schools across Illinois. Of primary concern to ED-RED member districts is how they will manage their finances over the next couple of years without compromising services to students, even if EBF is funded at current levels. Below is a short summary of the fiscal uncertainties that schools are trying to plan for this next school year:

- **In-person/Remote/Hybrid Plans.** While some school districts have been able to safely implement in-person or hybrid options, many school districts are still working to determine a plan for how to return students and staff to the classroom. Determining how to do that safely, particularly for middle schools and high schools where students interact with multiple teachers and students throughout the day, is a challenge. Additionally, school districts are closely monitoring COVID-19 positivity rates which are continuously fluctuating as well as the ever-evolving guidance to address social distancing, quarantining, and other safety considerations. Those schools that have implemented in-person and hybrid instructional models may be forced to close again at some point this year if/when there is a resurgence of COVID-19 and must prepare for a robust remote option should that occur;
- **CPPRT.** Schools expect to see a decrease in Corporate Personal Property Replacement Tax Revenue (CPPRT);
- **Property Tax Revenue.** Property tax revenue will likely be impacted in this and future years:
 - Even prior to the pandemic, given the changes to Cook County assessments, Cook County districts are seeing an increase in property tax appeals and have been preparing to see an increase in refunds to taxing bodies this year and in future years. The pandemic will only exacerbate this issue for Cook County and will likely increase the number of appeals and refunds across Illinois.

- This pandemic will impact commercial properties especially hard and districts are anticipating that some commercial property owners may not be able to pay their property taxes on time or at all. This is a particular concern for those commercial property owners that have seen a dramatic decrease in rent payments from tenants.
- Many counties allowed for a 3-month delay in the payment of taxes. Districts are having to adjust their typical cash flow projections, a likely consequence of those delays.

The EBF has provided a much-needed level of fiscal consistency to school districts in Illinois for the past 4 years. It is important now more than ever that this funding stream stay at least at FY 2021 levels given the following threats to other funding streams:

- While property taxes have historically been the more stable funding source, the significant concerns noted above impact property tax collections, specifically from the commercial industry. Essentially, some commercial properties simply won't be able to pay their property tax payments or will delay paying them.
- Additionally, given that multiple counties have waived their late fees, districts will likely see delays in receiving their property tax payments which impacts cash flow.
- CPI is expected to be extremely low in future years, so property-tax capped districts will likely see minimal to no increases in their levy amounts;
- Districts will likely see significant reductions in their Corporate Personal Property Replacement Tax (CCPRT) revenue streams;
- While ED-RED districts are not impacted by the 1% sales tax for school district facilities, many downstate districts that have held successful referendums allowing for this funding may see a decrease in this revenue source as well.

Conclusion

The financial impact of COVID-19 on both State and local funding to school districts, while still largely unknown, is unprecedented. Schools serve as the anchor of their communities in providing services to their students, families, and communities. We recognize that revenue projections for future years estimate that the State should expect a \$4 billion to \$8 billion decrease in general revenue funds. However, school districts that rely heavily on local property taxes are also anticipating decreased revenues from delayed payments, low collection rates, an increase in refunds, a significant hit to commercial property owners, and a decrease in Commercial Property Replacement Tax Revenue (CPPRT) revenue. **In the short-term, it is important that EBF funding from the State, at a minimum, remain flat for all schools to FY 2021 levels.** As always, ED-RED stands ready to work with legislative leaders in navigating the future of school funding during and after COVID-19.