HB 3793 and SB 2073 Call to Action

Illinois ASBO as well as the other members of the Statewide Management Alliance and all other education stakeholders are opposing HB 3793 and SB 2073 as they move through hearings this week.

Both bills contain the same language and were filed by Representative Jack Franks. The amendment to SB 2073 was added on October 19 and replaces all the previous language, placing this in the Senate calendar at 2nd reading with short debate. This allows for movement there with little input from opposition.

Synopsis: The bill would Amend the Property Tax Extension Limitation Law in the Property Tax Code and provide that, if the total equalized assessed value of all taxable property in the taxing district for the current levy year (excluding new property, recovered tax increment value, and property that is annexed to or disconnected from the taxing district in the current levy year) is less than the total equalized assessed value of all taxable property in the taxing district for the previous levy year, then the extension limitation is (a) 0% or (b) the rate of increase approved by voters (instead of the lesser of 5% or the percentage increase in the Consumer Price Index during the 12-month calendar year preceding the levy year or (b) the rate of increase approved by voters). If passed, it would be effective immediately.

PLEASE PREPARE TO CONTACT YOUR LEGISLATORS AND ASSIST US IN COMMUNICATING THE DAMAGING EFFECTS THIS BILL WILL HAVE ON PTELL DISTRICTS. WE WILL NOTIFY EVERYONE ON THE STATUS OF THE BILLS AS THEY MOVE THROUGH HEARINGS THIS WEEK.

Below are some helpful talking points that were developed by Illinois ASBO President, Rich Lesniak with input from members of the DAA. He will be testifying on our behalf along with Illinois ASBO Director, Curt Saindon.

HB 3793 and SB 2073 Talking Points:

- Does not take into account increases in expenditures of which school districts have little control. I.E.:
    - All insurance programs such as employee benefits, commercial, property, liability, school board legal, unemployment insurance, workers compensation insurance, etc.
    - Fuel supplies such as gas to run buses, food for lunch program, educational supplies, etc.
    - Capital equipment such as buses, (which increase in cost because of new EPA requirements), technology, (which is constantly changing), etc.
    - This will have a compound effect if there are several years of declining EAV, which we are currently experiencing.
- School Districts are under control of PTELL, which allows for management of uncontrollable expenditures by allowing school districts to access CPI.
    - Average CPI since inception is 2.4%. For tax year 2011 the CPI is 1.5%. This is not unreasonable.

- PTELL is based on a voter approved rate, either going back to 1995 or to the most recent voter approved rate increase. This law overrides voter-approved rates at the local level.
- School Districts have already experienced reduced revenue:
  - CPPRT and the potential for the Governor to use CPPRT money to pay for the Regional Superintendents' compensation.
  - Proration of General State Aid, Regular Transportation Funding and Bilingual Program (TPI/TBE).
  - Elimination of ADA Block Grant, GSA Hold Harmless, Special Education Extraordinary Hold Harmless, Gifted Program.
  - Elimination of Title IV and Title V.
  - Reduced investment revenue due to do historically low interest rates.
  - Tax Increment Finance Districts and new legislation, which can extend the life of existing TIF's.
  - Prior year property tax refunds which are awarded after the tax extension, especially harmful to school districts in Cook County.
  - Cash flow issues due to late state payments.
- Bill has unintended consequences that will effect State of Illinois Finances.
  - Will cause state to allocate more to General State Aid.
  - Reduced revenue to schools may force more staff reductions, which will increase state unemployment benefit expenditures.
  - Staff layoffs will also mean reduced income tax revenue to the State of Illinois.
- Enrollment at Junior Colleges has ballooned because in this economy high school graduates cannot afford the tuition of four-year colleges, either public or private. This bill will reduce resources at the junior college level where it is badly needed because of the rise in enrollment.
- All residents currently have the opportunity to reduce their property tax liability by filing assessment objections or rate objections. There are other options available to reduce your tax liability.
- This law is ultimately bad for students because it will reduce educational opportunities for all students.
- We are not asking for new revenue, we are only asking to keep what we already have.

In addition, Illinois ASBO Member Jim Fritts adds these points for consideration:

- A decrease in EAV can be caused or contributed to by many factors unrelated to declining home property values/assessments. Among them:
  - A change in the township, county or state multipliers which can be caused by assessment factors as well as property values
  - One or more appeals by large property owners--perhaps for past years and the result of PTAB or Court actions
- Various municipal tax relief options--TIFs etc.
- Rezoning of property with its resulting reassessment, or a less intensive redevelopment without a zoning change

- A change in a property to tax-exempt status
- A change in assessment factors in counties where classification is practiced (e.g. Cook)
- Changes in exemption and freeze provisions etc.

Even a $1 decrease in a district's EAV would wipe out the entire COL increase in the PTELL formula, regardless of its magnitude. This would create a "cliff effect" that would dwarf all other "cliff effects" such as the former Poverty Grant formula in the GSA calculation. It would be made worse by the strong possibility that "random" factors such as the above, unrelated to resident's home values, would severely curtail the major source of revenue for schools not only for the year in which it would occur, but for future years when the loss would continue to accumulate when compared to the base year.