

2017 Tax Levy

Center Cass District 66

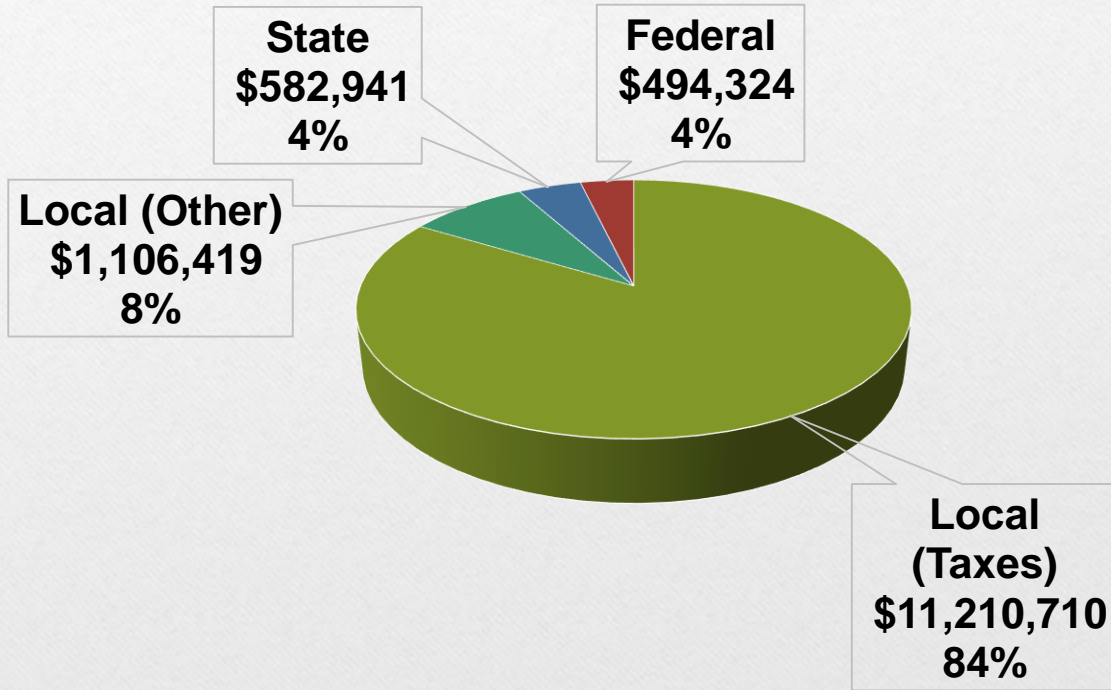
This is a public explanation of the levy process and was presented to the Board of Education on Nov. 14, 2017

Tim Arnold, Ph.D.
Superintendent

SB 851

- SB 851 seeks to freeze property taxes beginning with the 2017 tax bill. If passed, it would **reduce FY18 budgeted revenues by approximately \$110,000**
- SB 851 would result in a loss of approximately \$225,000 in the first year, and then compound after that.
- SB 815 was pushed through the General Assembly in a relatively short amount of time during the fall veto session
- **SB 851 is expected to be considered in the IL Senate in January/February 2018**

Sources of Revenue FY 2017



Tax Levy Process

1. Determine projected expenditures for each fund
2. Board adopts a Tentative Levy (no less than 20 days prior to final adoption)
3. Levy Hearing (only if current year's levy is 5% more than prior year's extension)
4. Board Approves Levy
5. Prior to the last Tuesday in December - Certificate of Levy filed
6. March – Final rates and allocations
7. June 1, Sept. 1, and Sept. 15 - Taxes received by district

Key Terms

- **Tax year** – the calendar year in which property is assessed and the levy is made. Taxes are billed, collected, and distributed in the following year.
- **Equalized Assessed Valuation (EAV)** – a property's valuation after county and state equalization is applied

Key Terms

- **Consumer Price Index - Urban(CPI-U)** program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.
- **Tax base** – the total EAV of a school district
- **Tax rate** – the amount of property taxes extended in the form of a % of EAV (e.g. A rate of 2.50% or .0250 computes to a tax bill of \$2.50 per \$100 of EAV)

2016 Tax Year Actuals

- **Tax year** – the calendar year in which property is assessed and the levy is made.

2016

- **Tax base** – the total EAV of a school district

\$493,742,272

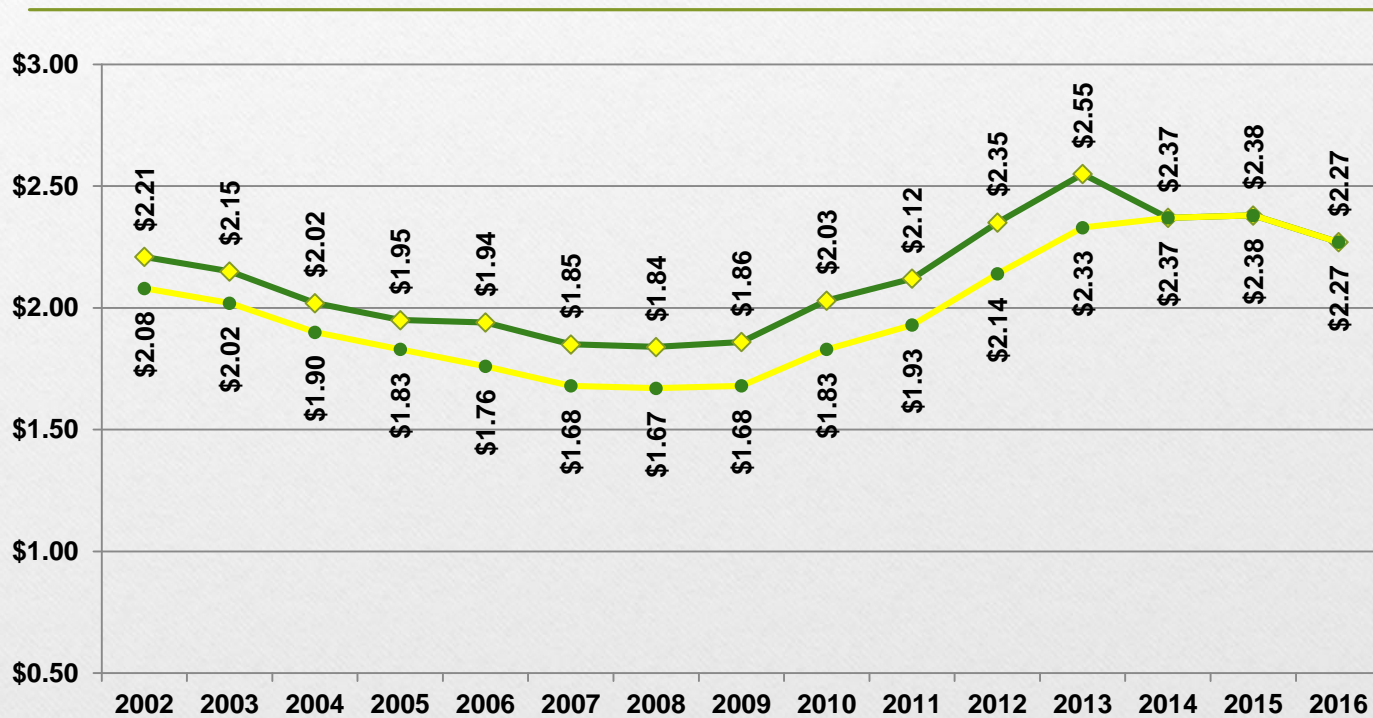
- **Tax rate** – the amount of property taxes extended in the form of a % of EAV

2016 = 2.27%

District 66 Historical Equalized Assessed Value (EAV)



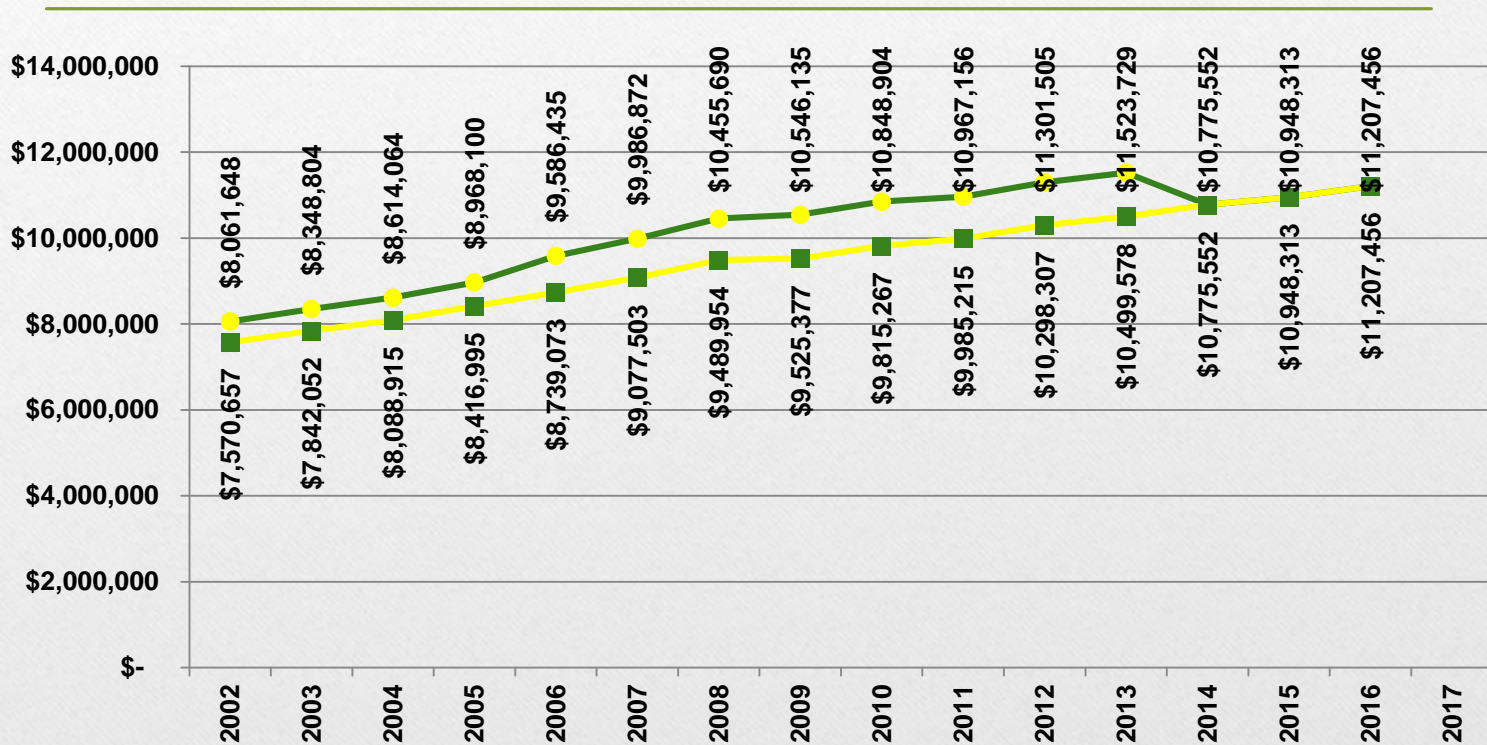
District 66 Historical Tax Rates Total Tax Rate vs. Operating Tax Rate



Note: In 2014 bond series 2007 & 2010 were retired (\$992,884)

District 66 Total Tax Dollars

Total Tax Extension vs. Operating Tax Extension



Note: In 2014 bond series 2007 & 2010 were retired (\$992,884)

Determining an Individual Property Owner's EAV

A property's EAV is determined by taking the market value and dividing by 3.

Example:

If a home has a market value of \$330,000, then the EAV would be \$110,000 ($\$330,000/3 = \$110,000$).

Property Tax Formula

$$\text{(Individual Property Owner's EAV divided by 100) X (Total Tax Rate) = Total Property Tax Bill}$$

Example - A home has an EAV of \$110,000 (Market value of \$330,000) and the total rate of all taxing bodies is \$6.00

Step 1: Divide the EAV by 100

$$(\$110,000/100 = \$1,100)$$

Step 2: Multiply the result by the tax rate

$$(\$1,100 \times \$6.00 = \$6,600) \quad \textbf{Total Tax Bill} = \$6,600$$

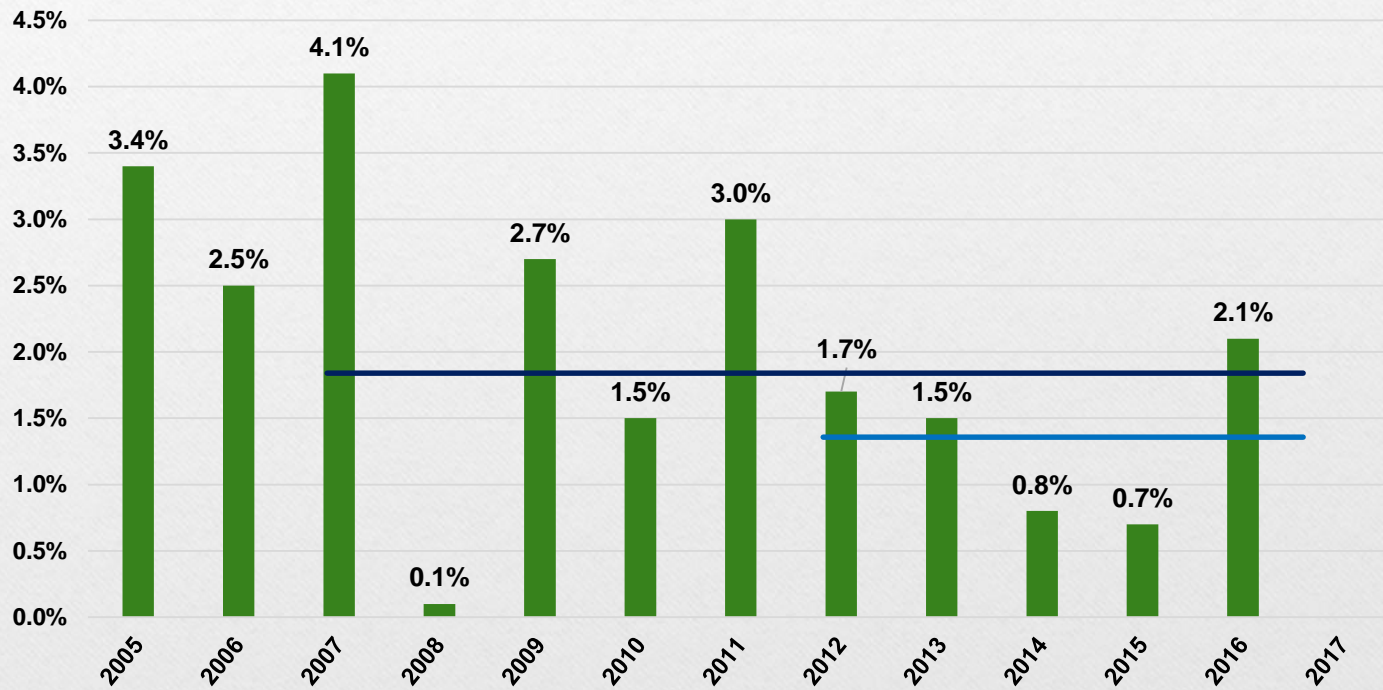
Property Tax Extension Limitation Law (PTELL)

- 1991 -PTELL (a.k.a. tax caps) implemented in collar counties
- 2010 - Just over $\frac{1}{2}$ of all school districts are currently under tax caps – enrolling $\frac{3}{4}$ of all Illinois students
- Limits the increase in total **extensions** (excluding bond & interest) to the lesser of 5% or CPI.

Historical CPI-U

10 yr. ave. = 1.8%

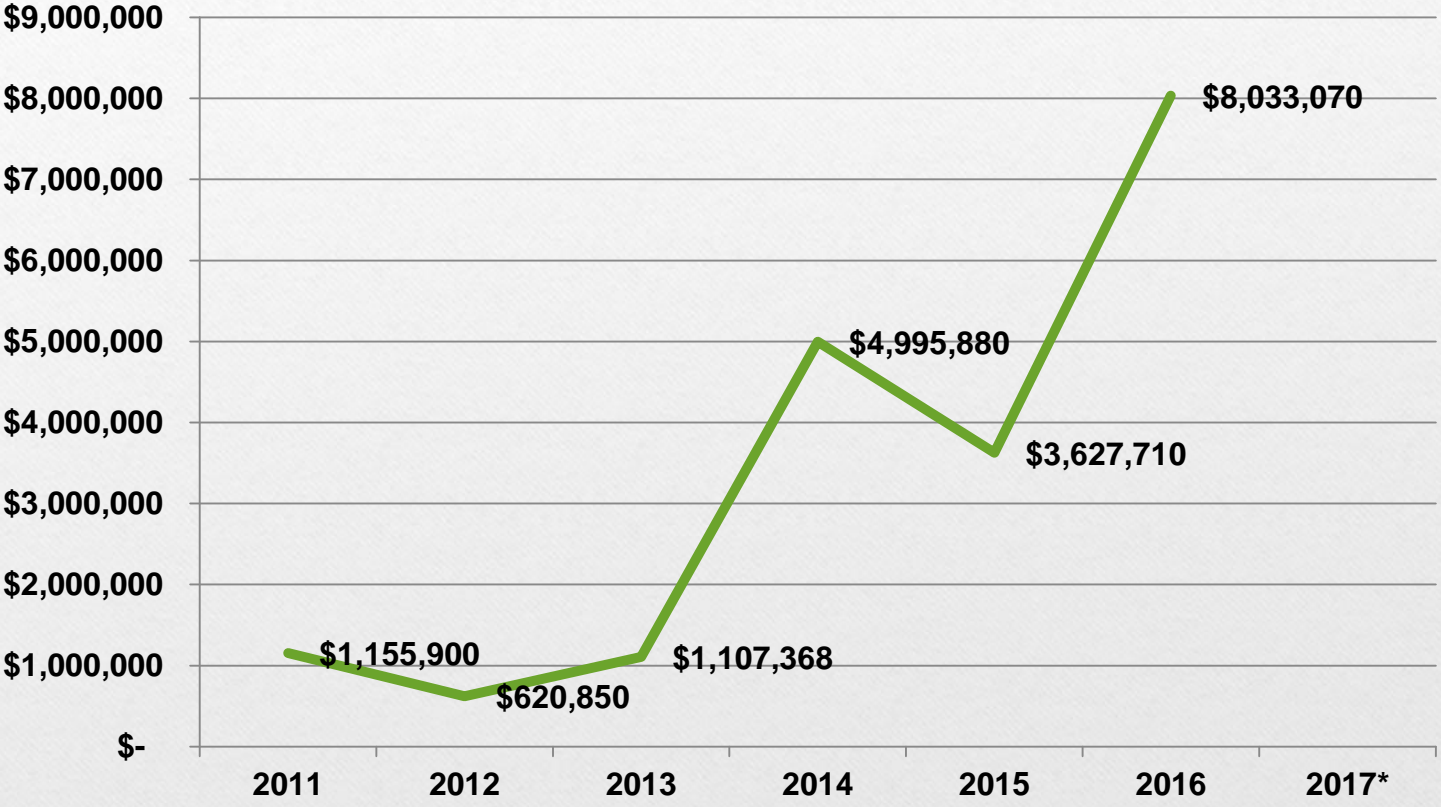
5 yr. ave. = 1.4%



New Growth

- Property added to the tax base (**new growth**) is above and beyond the CPI limitation
- **New growth** can be from annexations, expired TIFs, home additions, new residential and commercial construction, and expirations of 4 year exemptions.
- Important – based on their needs, school districts must levy for **new growth** in year one or forever lose that revenue

New Growth



New Growth

Residential

- Timbers Edge Completed
- Farmingdale Village/Smoter subdivision (107 homes)- moving forward (just east of the Vicente Subdivision along I55 in Woodridge)
- Rolling Knolls “Manning Rd.” subdivision (26 homes) – located behind Wal Mart (off of Manning Rd. in Darien) is in the process of being developed
- Fox Wood Estates subdivision (Dunham Rd.) (17 homes) – in development

Commercial

- Additional commercial development along Lemont Rd.

Calculating New Growth

Tax Extension = \$10,000,000

CPI the following year is 2.1%

Max. extension for the coming year = \$10,210,000

However, if new growth comes from a newly built hotel that generates an additional \$200,000 in additional property taxes, then that amount is added to the max. extension for a total of \$10,410,000.

Sample Extension with New Growth

2015 Tax Extension	\$10,000,000
2014 CPI (0.8%)	X 1.008
Maximum Collectible Taxes	\$10,080,000
Hotel Property Tax Revenue	+ \$200,000
New Extension Base	\$10,280,000

Big Ideas for New Growth

- If revenue from new growth isn't captured in the first year it comes onto the tax roles, it is lost forever.
- This is why districts need to levy based on all projected needs, in order to fully fund those needs, even if the amount is greater than CPI.
- Levying beyond the CPI doesn't provide any additional funds other than what is owed by the new property owners and ensures all pay their fair share.
- Due to timing of the cycle, new growth is a "guess" when the levy is filed each December.

PTELL Clarifications

- PTELL does **not** “cap” individual property owners’ tax bills
- PTELL does “cap” the extension for the taxing body.
- PTELL does slow the rate of growth

The next slide provides some examples of how different homeowners could be impacted.

Sample Proportion of EAV Calculation

Total District EAV	\$500,000,000
Homeowner's EAV	\$100,000
Homeowner's EAV Portion of Total EAV	0.0002
Total School District Property Tax Revenue	\$10,000,000
Homeowner's Property Tax Bill	\$2,000
Tax Calculation	$\$10,000,000 \times 0.0002 = \$2,000$

Sample Proportion of EAV with Homeowner Addition

Total District EAV	\$500,000,000
Homeowner's EAV	\$115,000
Homeowner's EAV Portion of Total EAV	0.00023
Total School District Property Tax Revenue	\$10,000,000
Homeowner's Property Tax Bill	\$2,300
Tax Calculation	$\$10,000,000 \times 0.00023 = \$2,300$

Effect of Lower Overall EAV

Total District EAV	\$480,000,000
Homeowner's EAV	\$100,000
Homeowner's EAV Portion of Total EAV	0.0002083
Total School District Property Tax Revenue	\$10,000,000
Homeowner's Property Tax Bill	\$2,083
Tax Calculation	$\$10,000,000 \times 0.0002083 = \$2,083$

Effect of Higher Overall EAV

Total District EAV	\$520,000,000
Homeowner's EAV	\$100,000
Homeowner's EAV Portion of Total EAV	0.0001923
Total School District Property Tax Revenue	\$10,000,000
Homeowner's Property Tax Bill	\$1,923
Tax Calculation	$\$10,000,000 \times 0.0001923 =$ \$1,923

Assumptions for the 2015 Levy

- The Downers Grove tax assessor predicts a 4.78% increase in overall EAV. The actual amount will not be known until the spring.
- Three DuPage Co. tax assessors have expressed concerns over the rapid rebound of home prices and the subsequent potential for another drop.
- District 66 is projecting \$8,800,000 in new growth.
- New growth is typically difficult to project due to the timing of when the assessor begins taxing new construction at a higher rate.

2017 Tentative Levy

- The Superintendent recommends the Board of Education include a 4.91% increase to the base of the 2016 levy to ensure all new construction is captured in order to fully fund the district needs.
- A 4.91% increase to the base will protect the district in the event of unforeseen variables in an increase/decrease in EAV and new growth.

Next Steps

- Board approval of a Tentative Levy at the November 14, 2017 Board meeting.
- Board approval of a Final Levy at the November 14, 2017 Board meeting.

Additional Resources

- DuPage County Supervisor of Assessments: www.dupageco.org/soa/
- FAQ about tax levies and assessments:
www.willcountysoa.com/Content/Forms/Decoding_Your_Tax_Bill.pdf
- Taking the Mystery Out of Illinois School Finance:
<http://cnx.org/content/m19004/latest/?collection=col10606/1.10>

Credits

Many of the examples and explanations in this presentation were taken from the following sources:

- *Taking the Mystery Out of Illinois School Finance*, by Thomas Kersten, Roosevelt University, 4th Edition
- *Essentials of Illinois School Finance: A Guide to Techniques, Issues, and Resources*, by James B. Fritts. 5th Edition.

Questions
