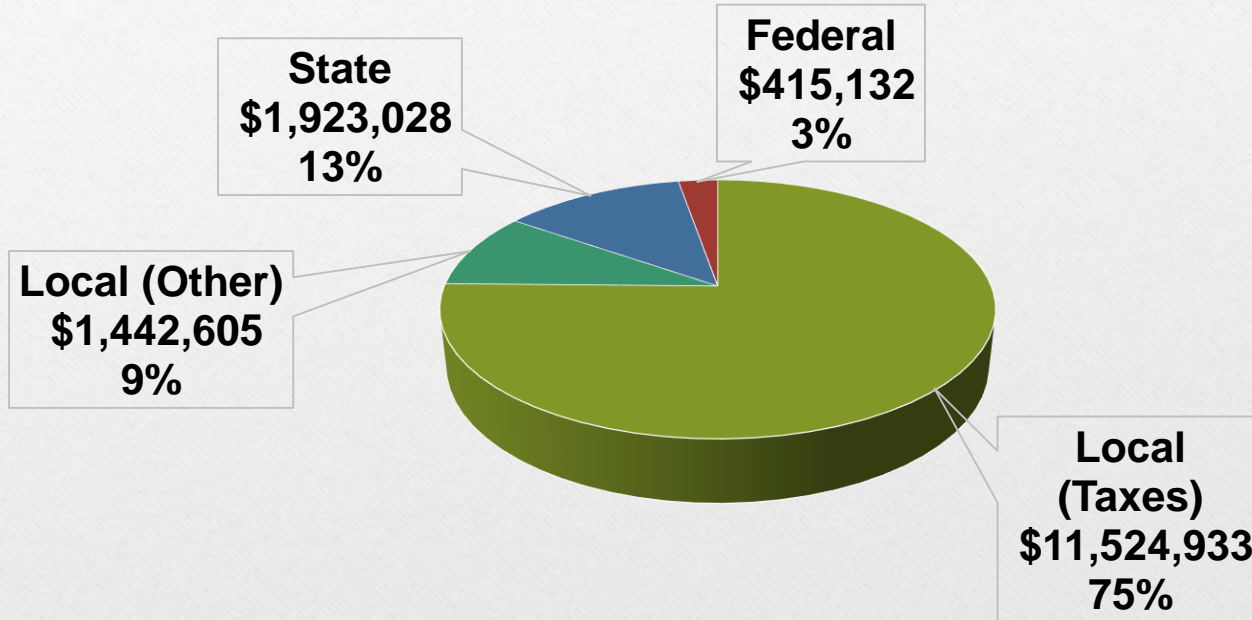


2018 Tax Levy Center Cass District 66

This is a public explanation of the levy process and was presented to the Board of Education on Nov. 13, 2018

Tim Arnold, Ph.D.
Superintendent

Sources of Revenue FY 2018



Tax Levy Process

1. Determine projected expenditures for each fund (October/November)
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 Final levy (December BOE meeting)
5. Certificate of Levy filed (prior to the last Tuesday in December)
6. Final rates and allocations (March/April)
7. Taxes received by district (June 1, Sept. 1, and Sept. 15)

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)

2017 Tax Year Actuals

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

2017

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

\$517,212,959

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

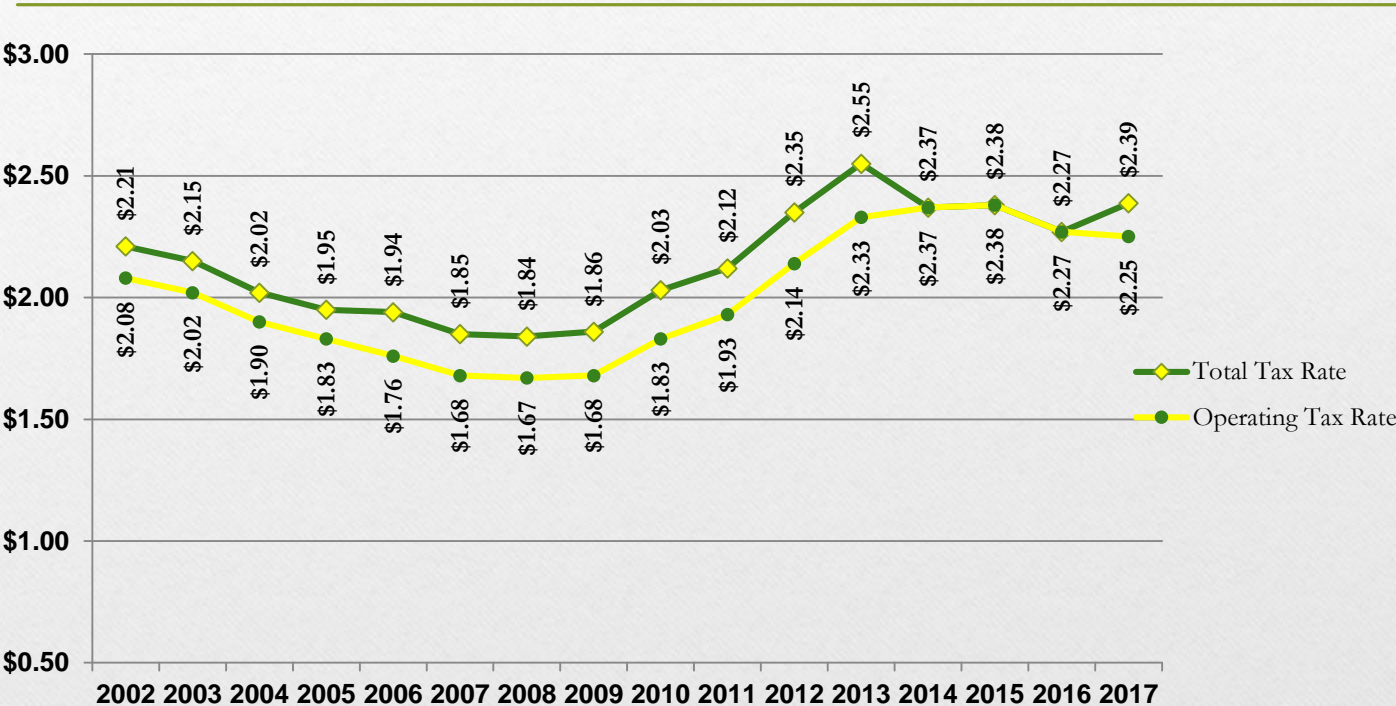
2017 = 2.39%

District 66 Historical Equalized Assessed Value (EAV)



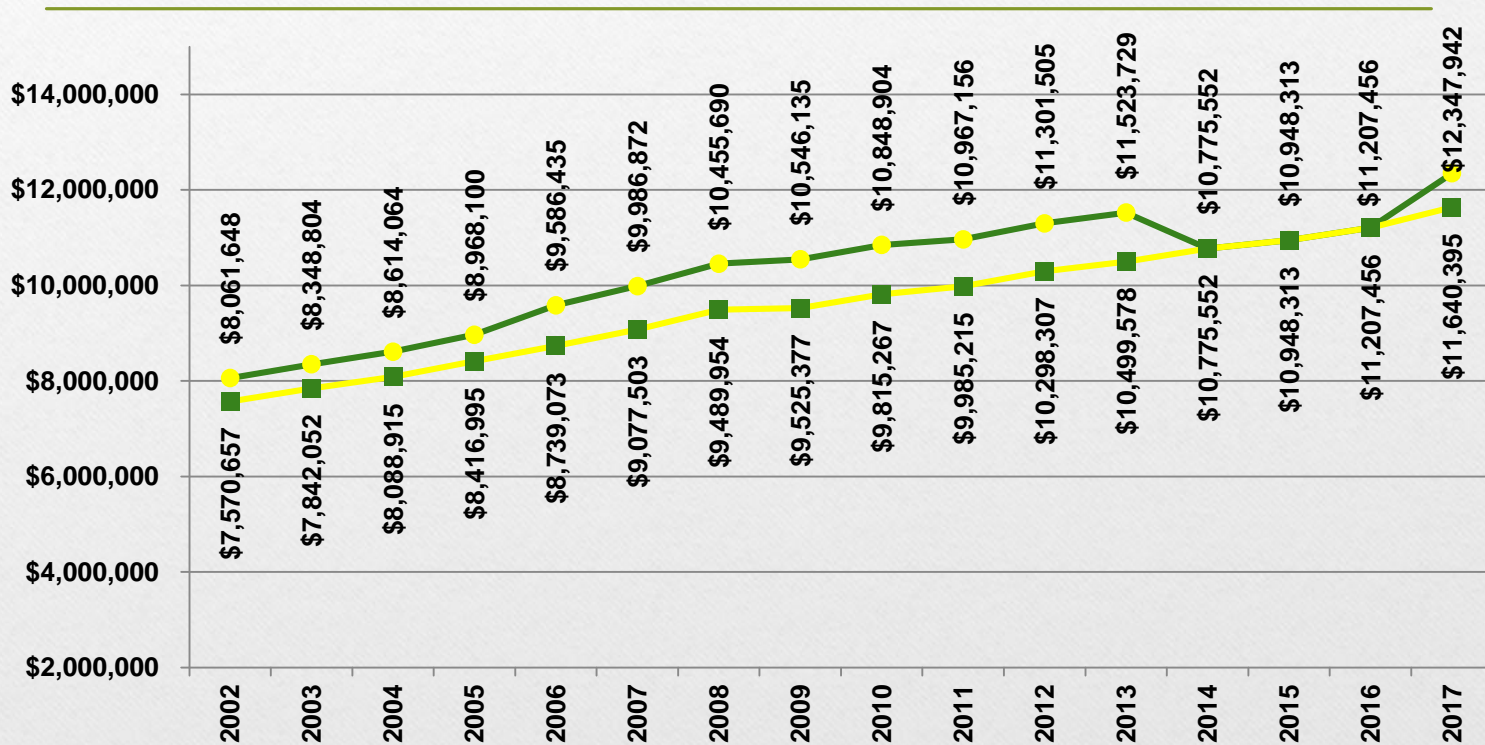
District 66 Historical Tax Rates

Total Tax Rate vs. Operating Tax Rate



District 66 Total Tax Dollars

Total Tax Extension vs. Operating Tax Extension



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

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

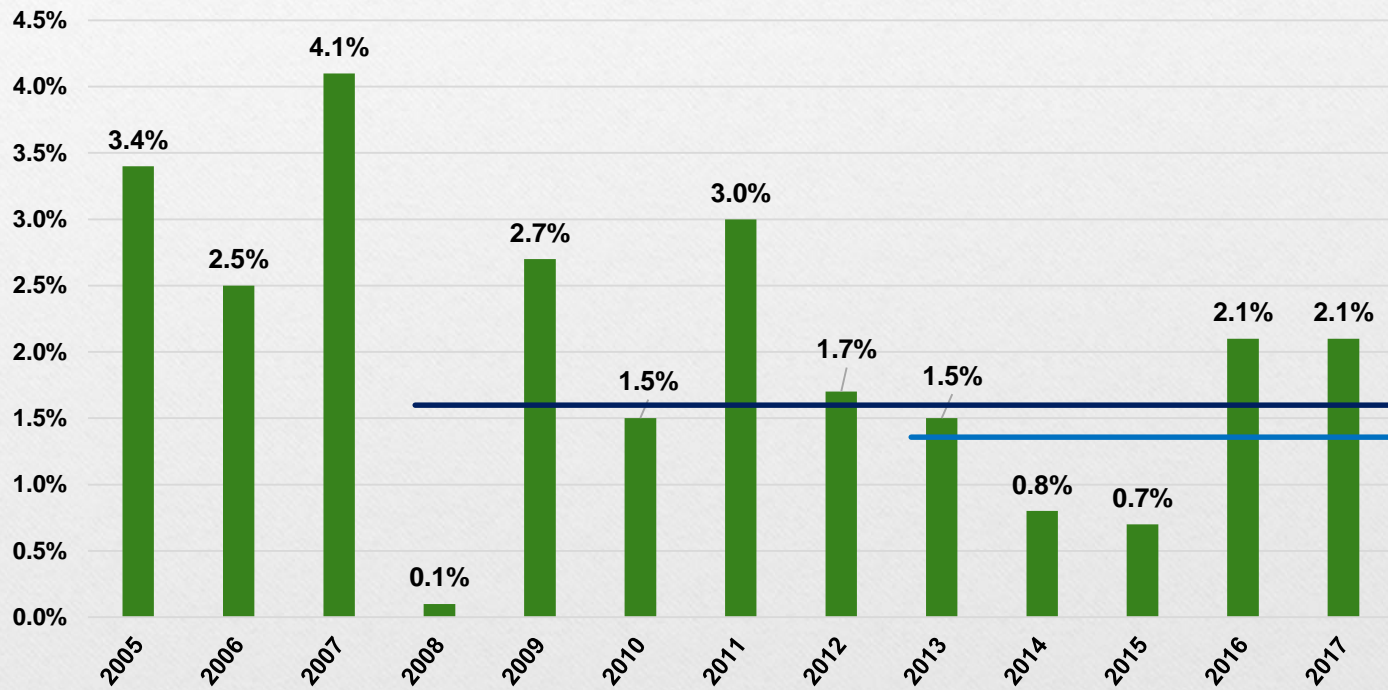
Property Tax Extension Limitation Law (PTELL)

- 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. = 1.6%

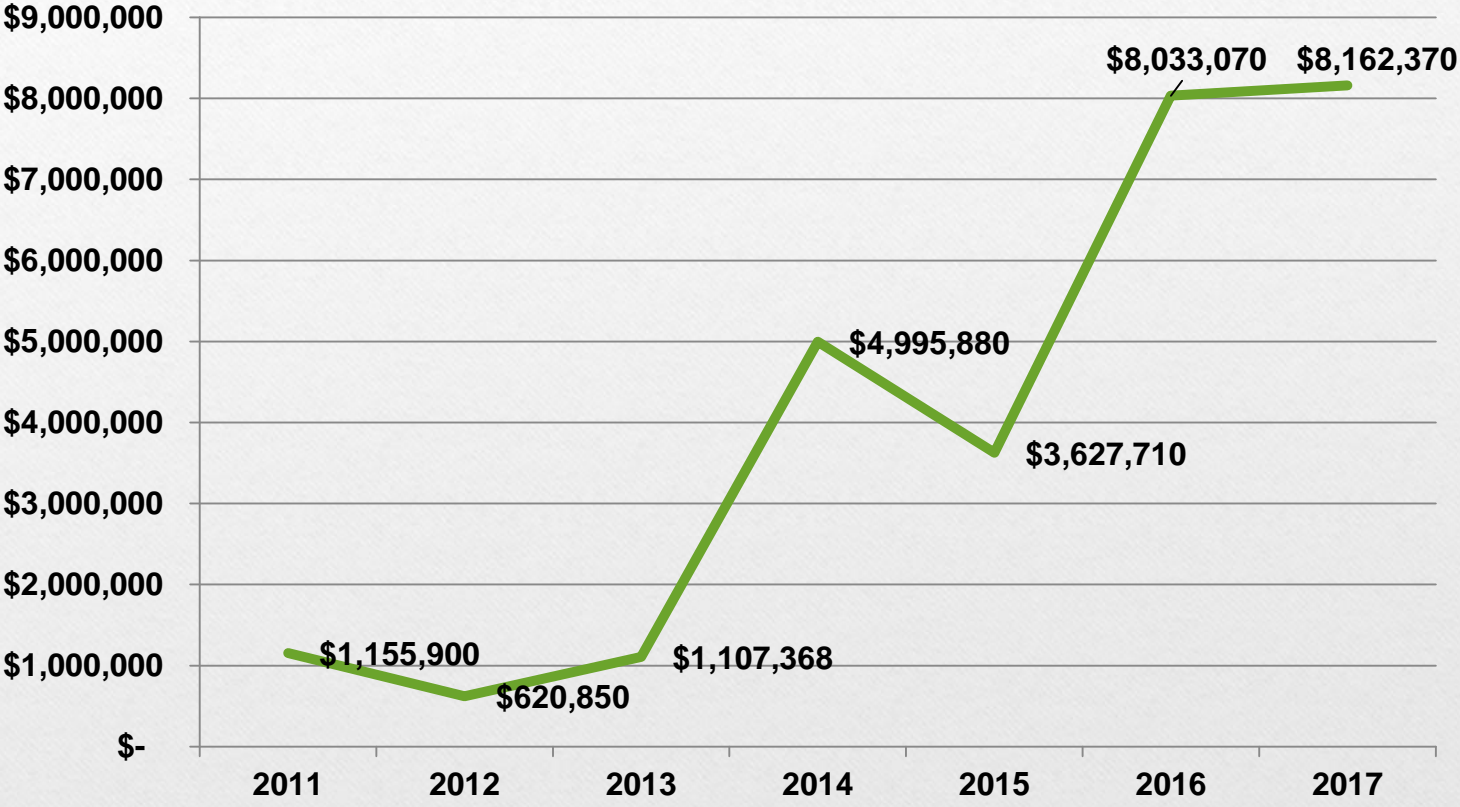
5 yr. ave. = 1.4%



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

- 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 completed
- 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

2017 Tax Extension	\$10,000,000
2016 CPI (2.1%)	X 1.021
Maximum Collectible Taxes	\$10,210,000
Hotel Property Tax Revenue	+ \$200,000
New Extension Base	\$10,410,000

Big Ideas for New Growth

- If revenue from new growth isn't captured in the first year it comes onto the tax rolls, it is lost for all future years.
- Therefore, school 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 legally 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. Actual new growth figures are typically available the following May.

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 2018 Levy

- The Downers Grove tax assessor predicts a 4.3% increase in overall EAV. The actual amount will not be known until the spring.
- District 66 is projecting \$4,000,000 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.

2018 Tentative Levy

- The Superintendent recommends the Board of Education include a 4.82% increase to the base of the 2017 levy to ensure all new construction is captured in order to fully fund the district needs.
- A 4.82% increase to the base will protect the district in the event of unforeseen variables in an increase/decrease in EAV and new growth.

2018 Tentative Levy

Amount of Levy

Educational	\$	<u>9,965,000</u>	Fire Prevention & Safety *	\$	<u>0</u>
Operations & Maintenance	\$	<u>1,100,000</u>	Tort Immunity	\$	<u>0</u>
Transportation	\$	<u>600,000</u>	Special Education	\$	<u>0</u>
Working Cash	\$	<u>39,367</u>	Leasing	\$	<u>0</u>
Municipal Retirement	\$	<u>187,260</u>		\$	<u>0</u>
Social Security	\$	<u>310,150</u>	Other	\$	<u>0</u>
			Total Levy	\$	<u>12,201,777</u>

* Includes Fire Prevention, Safety, Energy Conservation, Disabled Accessibility, School Security, and Specified Repair Purposes.

See explanation on reverse side.

Note: Any district proposing to adopt a levy must comply with the provisions set forth in the Truth in Taxation Law.

We hereby certify that we require:

the sum of 9,965,000 dollars to be levied as a special tax for educational purposes; and
the sum of 1,100,000 dollars to be levied as a special tax for operations and maintenance purposes; and
the sum of 600,000 dollars to be levied as a special tax for transportation purposes; and
the sum of 39,367 dollars to be levied as a special tax for a working cash fund; and
the sum of 187,260 dollars to be levied as a special tax for municipal retirement purposes; and
the sum of 310,150 dollars to be levied as a special tax for social security purposes; and
the sum of 0 dollars to be levied as a special tax for fire prevention, safety, energy conservation, disabled accessibility, school security and specified repair purposes; and
the sum of 0 dollars to be levied as a special tax for tort immunity purposes; and
the sum of 0 dollars to be levied as a special tax for special education purposes; and
the sum of 0 dollars to be levied as a special tax for leasing of educational facilities or computer technology or both, and temporary relocation expense purposes; and
the sum of 0 dollars to be levied as a special tax for _____; and
the sum of 0 dollars to be levied as a special tax for _____
on the taxable property of our school district for the year 2018

Next Steps

- Board approval of a Tentative Levy at the November 13, 2018 Board meeting.
- Board approval of a Final Levy at the December 11, 2018 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
