

Public Hearing Truth-In-Taxation

October 2017



Purpose of Public Truth-in-Taxation

- State statute requires a school district to hold public hearing if the estimated property tax levy for a given year is more than 5% greater than the previous year's property tax extension (35 ILCS 200/, Property Tax Code)
- Purpose of hearing is for a district to disclose its intention to adopt such a levy, explain the reasons for the proposed increase, and to allow the public to present testimony
- CPS corporate and special purpose property taxes:
 - Actual 2017 Extension = \$2,704.5 million
 - Proposed 2018 Levy = \$2,929.0 million
 - Increase of **8.3%**



Outline - Property Taxes

- Three components of Property Tax increase:
 1. Capital Improvement Tax Levy (↑ \$3.6M)
 - CPS started levying in 2016 and may continue levying annually, increasing at rate of inflation*
 - Outside of PTELL tax cap-- does not reduce Board's ability to levy for operating purposes
 2. Raising existing property taxes under PTELL/tax caps (↑ \$67.0M)
 - The Property Tax Extension Limitation Law (PTELL) or "Tax Caps" limits growth in CPS' operating property tax extensions to lesser of 5% or inflation/CPI (2.1% for 2018 extension) on existing property
 - Resulting levy rate then applied to new property
 - CPS has increased property taxes in 26 of the last 27 years, 23 of which were to the PTELL cap
 3. Increase teacher pension levy (↑ \$154.0M)
 - \$138M of which is attributable to Springfield approval of state funding reform; increases max. allowable rate from 0.383% to 0.567%
 - \$16M resulting from the inflationary increase on the existing 0.383% levy

*Note: state statute stipulates a different time period for CPI used in PTELL and for CIT



Teacher Pension Property Tax

- PA 99-0521 was signed into law on June 30, 2016 and reinstated the ability of the Board to levy a 0.383% property tax dedicated to paying for teacher pensions annually, starting in 2017
- PA 100-465 was signed into law on August 31, 2017 and increased this maximum levy rate to 0.567%
- Outside of PTELL tax cap, meaning levying of pension property tax does not reduce Board's ability to levy for other operating purposes
- **Proceeds paid directly to Chicago Teacher Pension Fund and not to CPS**
 - Represents an increase in pension levy of \$154 million over FY 17
 - \$138 million of the increased levy attributable to the additional 0.184% rate authorized by PA 100-465
 - Expected to produce \$130 million in new revenue in FY 18
- The enactment of PA 100-465, helps ensure funding for CPS pensions

Remaining CPS Pension Contribution in FY 18		
Total Required FY 18 Employer Contribution to CTPF:		784
State's Annual "2.2" Contribution:	-	12
State's FY 18 Normal Cost Payment:	-	221
Estimate Pension Levy Proceeds in FY 18	-	405
Remaining CPS Pension Contribution in FY 18	=	146



Breakdown of Property Tax Increase*

- Proposed 2018 levy of \$2,929.0 million represents an 8.3% increase over the 2017 extension of \$2,704.5 million

Corporate & Special Purpose Property Taxes (\$ in Millions)	
<u>Actual 2017 Property Tax Extensions</u>	
Tax Capped Funds (PTELL)	\$ 2,384.8
Capital Improvement Tax Fund	47.9
Teacher Pension Tax Levy	271.8
Total 2017 Extension	\$ 2,704.5
<u>Proposed 2018 Increases</u>	
Inflation/CPI & New Property (PTELL)	\$ 67.0
Capital Improvement Tax	\$ 3.6
Teacher Pension Tax Levy from 0.383% to 0.567%	\$ 154.0
<u>Proposed 2018 Property Tax Extensions</u>	
Total Proposed Levy	\$ 2,929.0
% Increase Over 2017 Extension	8.3%

*Does not include extension for PBC rent funds and rounding adjustment which was \$53.7M for FY17 and an estimated FY18 levy of \$53.2M



Impact of Property Tax Increase on Homeowner Tax Bill

Tax Impact of Increase in CPS Property Taxes on 2017 Tax Bill of Average Home of \$250,000 Market Value	
Increase Due to Inflation/CPI (PTELL)	\$ 43
Increase Due to Capital Improvement Tax	3
Increase Due to Teacher Pension Tax	131
Total 2018 Increase	\$ 177

- Property taxes for CPS have increased in recent years due to inflation, the Capital Improvement Tax (CIT) and Pension Levies
- Chicago's general composite tax rate in 2016 at 7.145% (roughly half is attributable to CPS), was still the lowest tax rate in Cook County, according to County Clerk Orr's latest 2016 Tax Rate Report

Due to rounding, numbers may not add precisely to totals provided

