

# Chicago Board of Education:

*Public Hearing Truth-in-Taxation*

*October 26, 2022*



# 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 will increase by more than 5% of 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 background information on the levy, and to allow the public to present testimony.
- The property tax levy that CPS will consider for approval today was included as revenues in the Fiscal Year 2023 Budget that was approved by the Board in June of this year.
- The overall CPS corporate, special purpose and debt service property taxes being requested total \$3.83 billion.
- The proposed levy request is 5.3% higher than the prior year of \$3.64 billion.
- The proposed levy includes an allowance to capture estimates for both new property growth and inflationary growth up to the tax cap, this is why it is slightly more than 5%.



# Property Tax Extension Limitation Law (PTELL)

- Property taxes equal approximately half of CPS’ annual operating revenue.
- Similar to other Illinois school districts, property taxes are CPS’ single largest source of revenue, and there is no current alternative to substituting their use with another revenue.
- Property taxes are used to fund and operate all CPS educational programs, pay teacher salaries and pensions, maintain buildings and provide student transportation.
- The Property Tax Extension Limitation Law (PTELL) or “Tax Cap” limits growth in the CPS operating tax extension to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year.
- 2021 CPI would be referenced for the proposed CPS FY23 tax levy:
  - **Since the 2021 CPI increase was 7%, the property tax increase limit will be “capped” at 5% for operating fund levies calculated under PTELL.**

History of CPI used for the PTELL			
Calendar Year	CPI	Tax Levy Year	Year Taxes Paid
2007	4.1%	2010	2009
2008	0.1%	2009	2010
2009	2.7%	2010	2011
2010	1.5%	2011	2012
2011	3.0%	2012	2013
2012	1.7%	2013	2014
2013	1.5%	2014	2015
2014	0.8%	2015	2016
2015	0.7%	2016	2017
2016	2.1%	2017	2018
2017	2.1%	2018	2019
2018	1.9%	2019	2020
2019	2.3%	2020	2021
2020	1.4%	2021	2022
<b>2021</b>	<b>7%</b>	<b>2022</b>	<b>2023</b>



# Breakdown Comparison of Property Tax Levy

- Proposed FY23 CPS property tax levy of \$3.83 billion represents an 5.3% increase over the requested FY22 levy of \$3.64 billion.

Corporate and Special Purpose Property Taxes (\$ in millions)	
Prior Year Property Tax Extension	
Operating Funds Levy	\$3,049.9
Capital Improvement Tax Levy	72.7
Teacher Pension Tax Levy	518.9
<b>Prior Year Total</b>	<b>\$3,641.6</b>
Proposed Property Tax Extension	
Operating Funds levy	\$3,148.8
Capital Improvement Tax levy	89.5
Teacher Pension Tax Levy	594.9
<b>Proposed Year Total</b>	<b>\$3,833.1</b>
<b>Percentage Increase over Prior Year</b>	<b>5.3%</b>



# Outline of Proposed Property Tax Mechanics

- **Three components of the Proposed Property Tax Levy are:**

- 1. Teacher Pension Levy (↑ \$75.9M)**

- CPS started levying annually for teacher pensions in 2018 after receiving State approved legislation.
- The levy is capped at a rate not to exceed 0.567 of the CPS EAV tax base.
- The proposed levy aims to maintain the 0.567 tax rate.

- 2. Capital Improvement Tax Levy (↑ \$16.8M)**

- CPS started levying in 2016 and may continue levying annually, increasing at rate of inflation\*.
- This levy partially supports the CPS capital budget and projects across the District.
- Capital Improvement Tax is its own levy and it does not reduce Board's ability to levy for operating funds, but it is within the Truth-in-Taxation calculations.

- 3. Operating Funds Tax Levy (↑ \$98.8M)**

- The Property Tax Extension Limitation Law (PTELL) or "Tax Caps" will limit growth in CPS' operating property tax extensions to lesser of 5% or inflation/CPI (7% for the proposed extension) on existing property.
- Resulting levy rate then applied to all new property.
- CPI has historically been the limiting factor for CPS tax increases, and until 2021, it has been less than 5% over the past 25 years.

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



# Est. Impact of Property Tax Increase

- Property taxes for CPS have increased in recent years primarily due to inflation, and they have been capped by the PTELL calculation using CPI.
- A CPI factor of 1.4% from 2020 is being used in the current tax collection period (still being processed by Cook County).
- The PTELL limiting factor of 5% will be used in the calculation of the proposed CPS levy increase vs. the CPI figure of 7%.
- The CPS overall composite tax rate which is used to derive the CPS tax levy amount was 3.656% last year, and it was lower than approximately half of all the school districts in Cook County.
- The CPS tax rate was 3.890% five years ago, and growth in the property tax base upon which property taxes are levied (also referred to as EAV or equalized assessed value) has the effect of lowering the rate and tax impact even with requesting additional taxes.
- Based on the proposed levy request and with continued growth in the CPS EAV, an average homeowner with a \$250,000 market valued property could see an approximately \$54 or less tax impact.



