

# Chicago Board of Education:

*Public Hearing Truth-in-Taxation*

*October 25, 2023*



# Purpose of Public Truth-in-Taxation

- State statute requires Illinois school districts to hold a public hearing if their requested property tax levy for the upcoming year will increase by more than 5% vs. the previous year (35 ILCS 200/, Property Tax Code).
- The Purpose of this hearing is for CPS to disclose the intention to adopt such a levy, explain background information on the levy, and to allow the public to present testimony.
- The proposed levy includes an allowance to capture an estimate for new property growth in addition to inflationary growth on existing property up to the tax cap limit, that is why it is slightly more than the 5%.
- The property tax levy that CPS will consider for approval was included as revenues in the Fiscal Year 2024 Budget that was approved by the Board in June of this year. Without the levy, our revenues would be short of what is needed to pay for the upcoming year's budgeted expenses.
- The overall CPS corporate, special purpose and debt service property taxes being requested for Fiscal Year 2024 totals approximately \$3.812 billion.



# 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 them with other types of revenue.
- Property taxes are used to fund 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 annual growth in the CPS tax levy request on existing property vs. the prior year to the lesser of the increase in the Consumer Price Index (CPI) or 5%.
- **Since the 2022 CPI increase was 6.5% the property tax increase on existing property for the upcoming year will be “capped” at 5% for operating fund levies calculated under PTELL.**

History of CPI used for the PTELL			
Calendar Year	CPI Factor	Tax Levy Year	Year Taxes Paid
2008	0.10%	2009	2010
2009	2.70%	2010	2011
2010	1.50%	2011	2012
2011	3.00%	2012	2013
2012	1.70%	2013	2014
2013	1.50%	2014	2015
2014	0.80%	2015	2016
2015	0.70%	2016	2017
2016	2.10%	2017	2018
2017	2.10%	2018	2019
2018	1.90%	2019	2020
2019	2.30%	2020	2021
2020	1.40%	2021	2022
2021	7.00%	2022	2023
2022	6.50%	2023	2024



# Outline of Proposed Property Tax Mechanics

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

- 1. Teacher Pension Levy (\$573.4M requested)**

- CPS started levying annually for teacher pensions in 2018 after receiving State approved legislation to levy at a “capped” rate of 0.567 on the CPS tax base.
- The proposed levy aims to maintain the 0.567 tax rate.

- 2. Capital Improvement Tax Levy (\$96.9M requested, including bond levy of \$79.7M)**

- CPS started levying this CIT levy in 2016 and may continue levying annually, increasing at rate of inflation or CPI\*.
- This levy partially supports the CPS capital budget and projects across the District.
- The CIT levy 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 (\$3,142.2B requested)**

- The tax cap will limit growth in CPS’ operating levy on existing property to 5% (and not the rate of inflation which was 6.5%).
- The County’s calculated & resulting levy rate is then applied to all new property.
- CPI has historically been the dominating limiting factor for CPS tax increases, and until 2021, it has primarily been less than 5% for about the past 25 years.

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



# Breakdown Comparison of Property Tax Levy

- Proposed FY24 CPS property tax levy of approx. \$3.812 billion represents an 6.2% increase over the requested FY23 levy of \$3.589 billion.

Corporate and Special Purpose Property Taxes (\$ in millions)	
Prior Fiscal Year 2023 Property Tax Extension	
Operating Funds Levy	\$2,948.9
Capital Improvement Tax Levy	90.8
Teacher Pension Tax Levy	549.3
<b>Prior Year Total</b>	<b>\$3,589.1</b>
Proposed Fiscal Year 2024 Property Tax Extension	
Operating Funds Levy*	\$3,142.2
Capital Improvement Tax Levy	96.9
Teacher Pension Tax Levy	573.4
<b>Proposed Year Total</b>	<b>\$3,812.6</b>
<b>Percentage Increase over Prior Year</b>	<b>6.2%</b>

\* Note: Fiscal Year 2024 Operating Funds levy consists of: a.) \$3,058.1 billion for the Education Levy, and 2.) \$84 million for the Workers Comp Levy



# Est. Impact of Property Tax Increase

- Property tax increases for CPS are “capped” by the PTELL calculation.
- The PTELL calculation is completed by Cook County before next year’s tax bills are sent out sometime in July 2024.
- The PTELL calculation will limit and reduce what CPS has requested in the levy, but CPS must consider the entire requested levy amount when following the truth-in-taxation requirement rules.
- The CPS levy requested is higher than the final amount that will eventually be received in order to capture an allowance for new property growth.
- Historically, the CPS overall composite tax rate which is used to derive the CPS tax levy amount & tax impact has been lower than approximately half of all the school districts in Cook County.
- 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 \$44 tax impact.



