Tax Levy Process and Frequently Asked Questions

1. What is a Levy?
The amount of money a governmental entity (like public school district) certifies to be raised from property tax – the request.

2. What is an extension?
The process in which the County Clerk calculates the tax rate needed to raise the revenue (Levy) allowable by law and certified by each school district in the county. The total extension is the product of the district's total combined property value {referred to as equalized assessed valuation (EAV)} multiplied by its calculated tax rate and is equal to the total property tax billings on the district's behalf. The EAV is calculated by the township assessor but in simple terms they will calculate the most recent three year sales ratio across regional areas and apply the rate of change to other properties in that area. They also manage the various types of exemptions for each property and assist homeowners who may disagree with the assessment value of their property. In general, the goal is to provide a uniform and fair assessment that equates to the established county value for that type of property. This is then multiplied by what is called the county multiplier, assigned by the Illinois Dept. of Revenue to equalize all property values to achieve the overall 33% level for the county. Overall the total property within the county should reach 33% of the determined property value for property tax purposes. Historically the multiplier is typically closer to 1.0 but due to the unprecedented rate of foreclosure activity and downturn in the real estate market, it is not uncommon to see a negative multiplier for some areas recently. More information is available through contacting your local assessor for a more specific discussion about your property value or EAV.

Example: Home value of $300,000 = (approximately) $100,000 EAV

3. What is The Truth In Taxation Act?
Legislation approved and effective July 1981 provides procedures for Public Notice and Public Hearings on Tax Increases greater than 105% of the prior year's extension.

4. What is The Property Tax Extension Limitation Law?
The Property Tax Extension Limitation Law, commonly referred to as "TAX CAP" or "PTELL" limits the increase in property Tax Extensions to 5% or the Consumer Price Index (CPI), **whichever is less**, not counting new construction or Bond & Interest Obligations. Last year, the district tax extension (excluding debt service) was approved to collect $53.4 million in tax revenue. The CPI used for determining this year's levy will be 2.10% percent. This means the district will be allowed to collect an additional $1,122,684 plus whatever taxes are generated from new properties coming on the tax rolls, including any expiring or closed Tax Increment Finance properties.

5. How does the district determine its levy?
The annual budget expenditures for the education program and support services are projected to define the "need" for financial resources. The district then prepares an annual request (tax levy) and the board adopts that levy request by December each year after holding a public hearing. The law allows the district to make a prediction to request (levy) more taxes than they expect to collect, because at the time of the levy in December, the new property EAV is unknown. The actual new property value is not available until March when the County Clerk finalizes the tax extension and tax rate allowed under the Tax Cap.

6. Is it possible for your tax bill to increase even when your property value is declining?
Yes, the percent change in your property tax bill is not a 1 to 1 relationship with the percent change in your property value. In addition, other important factors also impact your tax bill:

- **Did your homeowner's exemption amount change from the prior year?**
  The recent decline of home values is generating a loss of the senior citizen assessed value freeze. This means that while they may have qualified for a protection from increases to their property tax bill during a good economy …when the value of their homes declines below the "assessment freeze" level, so does their protection. Consequently, they will begin to see increases to their property tax bills. This can be quite troubling to those who are on fixed income during retirement.

- **Did another exemption possibly expire?**
  The change in ownership may result in the loss of a senior citizen exemption or the loss of a homestead improvement exemption that expires after four years.

- **What was the change in your taxable property value (EAV) as compared to other taxable properties in the community?**
  The rate of change in EAV for individual properties will cause a shift in the tax burden to other properties. If other property EAV's decreased by a larger percent than yours, your resulting EAV would represent a larger portion of the total EAV than it previously did. Therefore, you would be responsible for a larger portion of the taxes than you previously were. With thousands of taxable properties making up the total EAV, it is impossible to predict your tax bill simply based upon what happens to your individual property's EAV.

<u>Consider this simplified example:</u>

Year 1: The school district needs taxes of $10,000 to provide services to your children. Suppose there are only 2 taxable properties in the community, your home and a commercial bank. The taxable value (EAV) of your home is $100,000 and the EAV of the bank property is $700,000.

Your home represents 12.5% of the total EAV ($100,000/$800,000), so your share of the tax bill is 12.5% x $10,000 or **<u>$1,250.</u>**

Year 2 declining EAV: <u>The school district is limited by the Consumer Price Index (CPI) to an increase in property taxes of 0.70%</u> or $70, for a total tax extension of $10,070. At the same time, your EAV decreases by 15% to $85,000 and the bank EAV decreases by 30% to $490,000.

Your home **<u>now</u>** represents 14.8% of the total EAV ($85,000/$575,000), so your share of the tax bill is 14.8% x $10,070 or **<u>$1,490.</u>**

Therefore, even though your taxable EAV decreased, the bank's EAV decreased more, ***so your property now represents a larger proportion of the total tax base***, and a larger proportion of the tax burden. The recent increase in property assessment appeals combined with the number of foreclosed properties throughout the county has contributed to this actual trend.

Year 2 <u>Increasing</u> EAV: <u>The school district is limited by the Consumer Price Index (CPI) to an increase in property taxes of 0.70%</u> or $70, for a total tax extension of $10,070. However, had your EAV increased by 20% to $120,000 and the bank's EAV by 30% to $910,000, you would not have seen a 20% increase in your tax bill.

Your home now represents 11.7% of the total EAV ($120,000/$1,030,000), so your share of the tax bill is 11.7% x $10,070 or **<u>$1,178.</u>**

Even though your EAV increased, the bank's EAV increased more, ***so your property now represents a smaller proportion of the total tax base***, and therefore a smaller proportion of the tax burden.

7. Why would a District propose a levy which is higher than the limits of the Property Tax Extension Limitation Law?
Because under the Property Tax Extension Limitation Law (PTELL) if you under levy, you can never recapture the lost revenues for the District. Also, at the time of the levy, a very important fact is unknown to the School District***: the amount of new construction property that will be coming on to the tax base in the coming year. The assessment process timing does not align with our November/December levy cycle. The new property value is not determined until three months after the levy request***.

8. Why doesn't the School District lower its Levy?
We would be penalized under the Tax Cap for future years as each year is limited by the year prior. The CPI in 2008 was an unprecedented 0.10% which severely limited property tax revenue and resulted in a funding shortfall for most school districts. As of the 2017 tax extension ***<u>we have permanently lost access to $11.8 million for education programs</u>***. This is a permanent funding reduction of the annual property tax revenue for the district. Consequently, we have worked diligently to adjust the programs and services to live within the available fiscal resources and be diligent with any borrowing.

9. How have the District's financial matters been managed?
During the period of 2003 through the year 2011 DuPage High School District 88 had maintained the highest designation of 4.0 on the Financial Profile rating with ISBE (Illinois State Board of Education) which is the equivalent of the "Recognition" rating. Unfortunately this score declined during the downturn of the economy from 2012 to 2014, due to a combination of deficit spending and declining property values, to downgrade one level to the "Financial Review" rating. In addition, the District financial rating from Moody's Rating Service was downgraded to Aa1 from Aaa as of 2014. Some of this downgrade was simply due to the deteriorating State of Illinois financial condition. In addition, the combination of the low CPI of 2008 (explained above in paragraph 8) and the program demands for comprehensive services to the community outpacing available resources, are causing us to draw down financial reserves. The combination of a recovering economy and budgetary control have contributed to our achievement of the "Recognition" status since the fiscal year 2015 and Moody's has affirmed our financial rating of Aa1 since 2016.

10. How does the District 88 tax rate compare to other districts?

The amount and type of property in a community does affect the homeowner tax bill.
A community that has more successful commercial/industrial property will typically generate a total overall taxable EAV that is much greater. This balanced mix of properties helps distribute the tax burden throughout the community. The higher the combined property value the lower the tax rate.

$$\textbf{Tax Rate} = \frac{\text{Tax Extension}}{\text{Total EAV}}$$

		EAV Per Student (a)	Tax Rate-2018
Hinsdale Twp. HS D86	=	$ 1,268,528	$1.4415
Downers Grove HS D 99	=	$ 895,366	$1.9500
Fenton HS D100	=	$ 804,324	$2.0567
DuPage HS D88	**=**	**$ 729,551**	**$2.1815**
Glenbard Twp. HS D87	=	$ 671,978	$2.2834
Lake Park HS D108	=	$ 804,967	$2.2863
West Chicago HS. D94	=	$ 533,463	$2.3136

(a) Calculated from ISBE Evidence Based Funding Enrollment and County tax extension reports