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**Sent:** Wednesday, May 1, 2019 5:56 PM  
**To:** Kristen Kendrick-Weikle  
**Subject:** Capitol Watch: Property Tax Freeze Looped into Progressive Income Tax Package



May 1, 2019

**Property Tax Freeze Looped into Progressive Income Tax Package**

As part of a multi-faceted progressive income tax plan, Illinois Senate Democrats want to freeze school property taxes in years that the state puts at least the minimum level into the new Evidence-Based Funding Formula and funds mandated categorical payments.

Amendment 1 to SB 690, sponsored by State Sen. Andy Manar, is being billed as a way to offer property tax relief and begin to make the state the predominant source of how Illinois funds public schools.

Right now, we are strongly opposed to this proposal. It would strip away local control and severely limit the ability of school districts to raise funds locally. In essence, it extends the Property Tax Extension Limitation law to every county in Illinois.

This progressive income tax package is on the fast track, with many key pieces clearing the Senate on Wednesday.

Amendment 1 to SB 690 passed 36-18. The Senate also approved SJRCA 1, a constitutional amendment to transition to a graduated income tax, by a vote of 40-19. It will need a 3/5 vote of the House in order for it to be placed on the general election ballot next year. A third piece of the package, Amendment 1 to Senate Bill 687, sets rates for the graduated income tax. It was approved 36-22. Lastly, the fourth component, Amendment 1 to SB 689, repeals the estate tax. It was approved 33-24.

Let's talk about what Amendment 1 to SB 690 does to schools.

It freezes the extension limitation rate at the levels they are at on Jan. 1, 2021, as long as voters approve the constitutional amendment (SJRCA 1) for a graduated income tax in the 2020 election. The freeze would apply for levy year 2022, but only if the state meets

its minimum contribution to the Evidence-Based Funding Formula and to mandated categorical payments.

That would mean the state would be required to contribute at least \$350 million annually for EBF and about \$300 million for categoricals.

The way the legislation is worded, school districts would only be allowed to levy tax rates in accordance with existing rules if the state fails to meet its obligations. The legislation defines this as a "Qualified School District."

A "Qualified School District" would have to certify to the county clerk by October 15 that it did not receive its EBF payment or that its mandated categorical payment was less than 97 percent of the district's claims. The Illinois State Board of Education is required by September 30 to certify whether or not a school district is qualified for the designation.

Assuming the state does meet its obligations, the property tax rate would be frozen for the coming year and every year in which the state meets the payment obligation. The process would take place annually.

There are other parts of this bill that are important to keep in mind. Taxes needed to pay debt service and contributions to the pension fund created under the Illinois pension code would be exempt from the freeze.

In closing, we strongly oppose this bill and encourage you to contact your local representatives in the [House](#). When doing so, here are some talking points to use during the conversation.

- We cannot support something we don't fully understand, so therefore it would be irresponsible to support a legislative change of this significance without fully understanding the impact it would have on the Evidence-Based Funding Model. In fact, our preliminary analysis shows that it does have a negative impact. For example: Very few districts will receive enough funding from EBF to cover their inflationary cost increases with the freeze. The minimum funding level was never designed to be the sole source of the increases in district funding.
- The best path to lower property taxes is for the state to fully fund our schools through the funding formula until all local school districts are at adequacy.
- We believe in and support more state funding for schools, but the state still has years of catching up to meet obligations. What currently is proposed takes away the only reliable revenue source from local school districts. Illinois public school districts cannot afford promises for funding. We have

the formula in place and now that formula needs to be fully funded with actions, not words.

- The more reliant a district is on local resources the more relevant the impact to the district.

Sincerely,

Diane Hendren  
Director of Governmental Relations  
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