

# Tax Levy 101



Donna Oberg, Geneva CUSD #304

# School District Budgets



✧ The tax levy typically provides about 75-85% of the local school district's operating budget.

School District	FY 12 Operating Budget	Approximate Amount from Tax Levy	% of Operating Revenue from Tax Levy
Batavia #101	\$ 64,069,427	\$ 52,899,097	83%
Central #301	\$ 44,225,790	\$ 31,956,000	72%
Geneva #304	\$ 68,840,931	\$ 57,686,563	84%
Kaneland #302	\$ 47,783,292	\$ 36,638,702	77%
St. Charles #303	\$ 157,298,844	\$ 128,794,927	82%

# Tax Levy

## General Information



- ❧ Tax Levy - The amount of dollars in each operating fund a school district requests to fund expenditures for the next school year.
- ❧ The Board of Education must adopt a levy no later than the last Tuesday in December and certify it with the County Clerk.
- ❧ Largest source of revenue in local school districts
- ❧ Most stable and reliable revenue source

# Typical Tax Levy Calendar



Date	Task
November 14, 2011	Initial presentation to Board of Education
November 14, 2011	Board approves tentative levy
December 8, 2011	Publish levy hearing notice, if needed, in local newspaper
December 12, 2011	Board approves final levy
Before December 27, 2011	File levy with County Clerk
March/April 2012	Verify levy and extension
May 2012	County sends out tax bills
May/June 2012	Collections begin and 1 <sup>st</sup> payment is received

# Tax Levy Process



1. Estimate EAV – Contact Assessors
2. Estimate New Construction – Contact Assessors
3. Apply CPI-U (Tax Cap)
4. Determine Limiting Rate
5. Distribute Levy into Funds

# What is EAV?



## What is Equalized Assessed Valuation (EAV)?

- ✧ EAV is the property valuation (for individual and total property of a school district) after the county and state equalization calculations are performed.

## Why is EAV important?

- ✧ Any growth in EAV must be captured to ensure the financial health of the district. The total district EAV is multiplied by the approved tax rate (per \$100 EAV) to arrive at the extension.

# Geneva CUSD #304

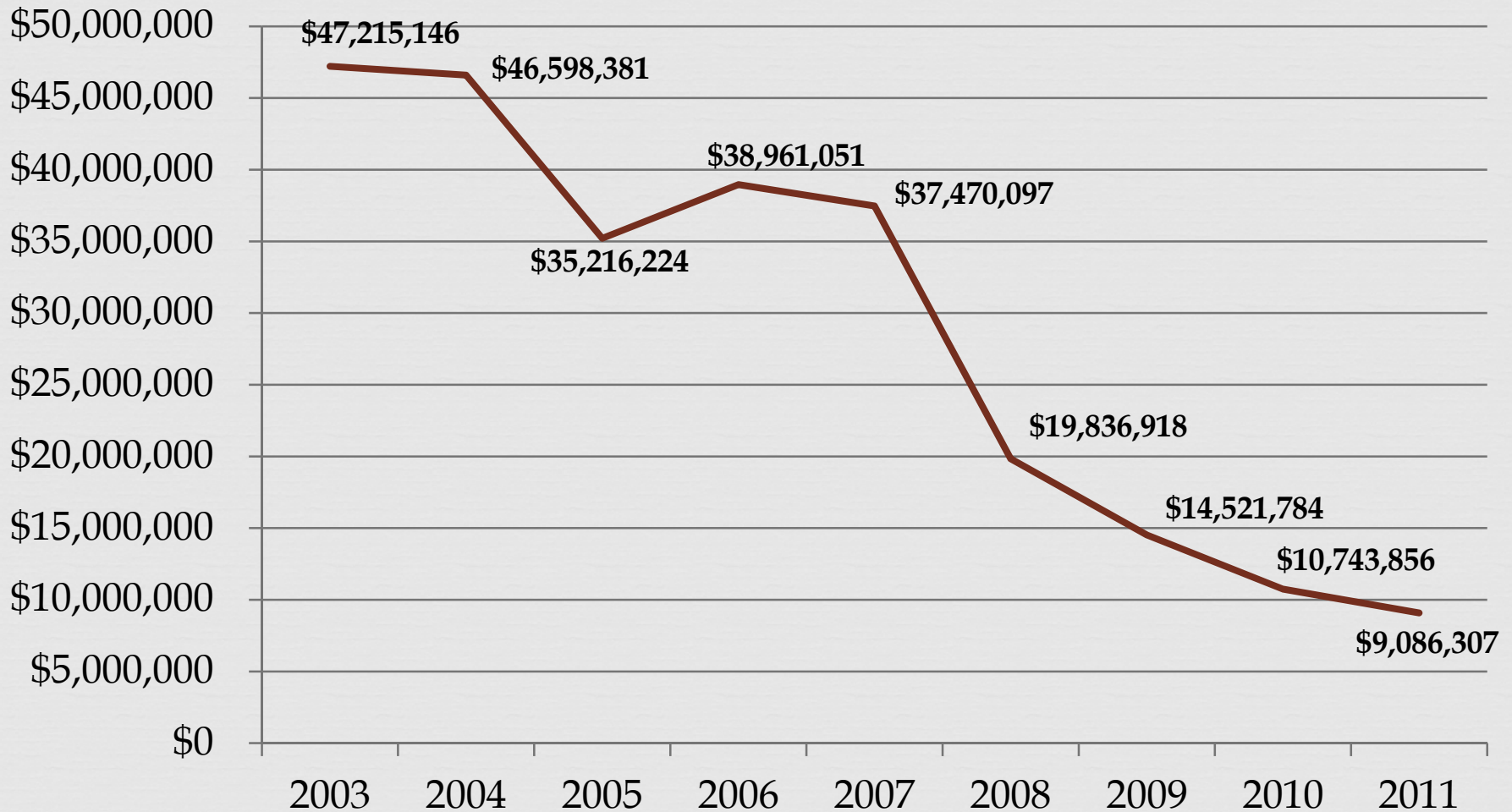
## Total EAV History



Levy Year	Rate Setting EAV	Percent Change
2003	\$907,195,516	
2004	\$1,054,586,684	16.25%
2005	\$1,162,965,932	10.28%
2006	\$1,289,469,301	10.88%
2007	\$1,404,593,984	8.93%
2008	\$1,480,815,138	5.43%
2009	\$1,471,203,786	-0.65%
2010	\$1,409,003,529	-4.23%
2011	\$1,328,294,553	-5.73%



# Geneva History of New Construction Growth





# What is PTELL?



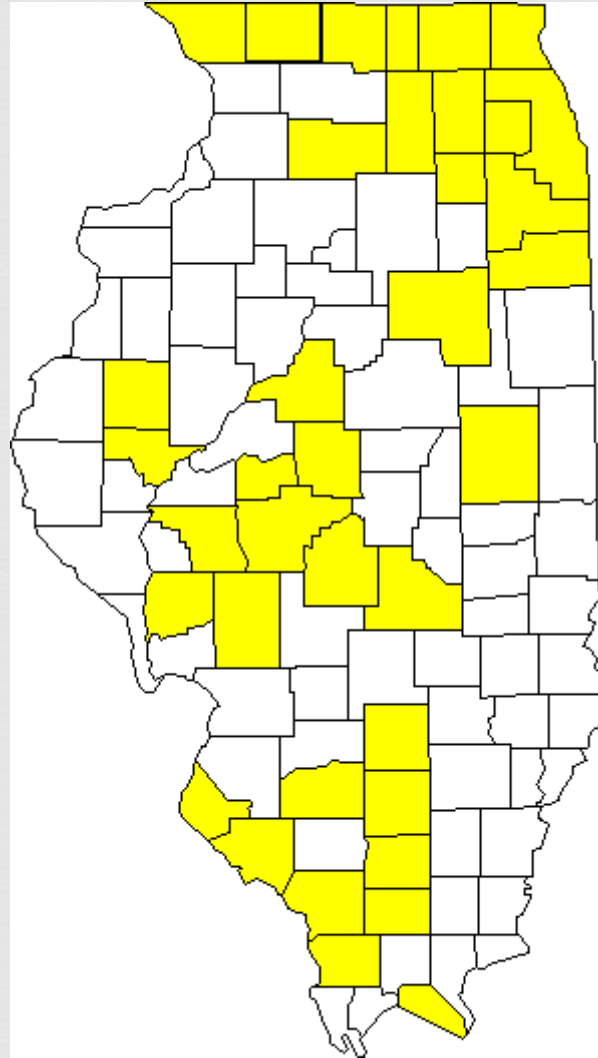
- ❧ PTELL is short for the Property Tax Extension Limitation Law.
- ❧ PTELL is designed to limit the increases in property tax extensions (total taxes billed) for non-home rule taxing districts.
- ❧ Commonly called the “Tax Cap,” the use of this phrase can be misleading. PTELL does not cap an individual’s property tax bill or property assessment.
- ❧ PTELL allows a taxing district to receive a limited inflationary increase in tax extensions on property.

# What is the Limitation?



- ❧ Increases in property tax extensions for existing property are limited to the lesser of 5 percent or the increase in the Consumer Price Index for Urban (CPI-U) for the year preceding the levy year.
- ❧ This limitation does not apply to new construction, which allows taxing bodies to recoup their “fair share” of tax revenue from that property.
- ❧ There has not been a CPI-U of 5 percent since the inception of the PTELL.

# Tax Capped Counties



# Consumer Price Index for Urban History



CPI-U rates over the last ten years:

<u>CPI-U Dec.</u>	<u>Levy Year</u>	<u>Budget Year</u>
2011 = 3.0%	Dec. 2012	2013- 2014
2010 = 1.5%	Dec. 2011	2012- 2013
2009 = 2.7%	Dec. 2010	2011- 2012
2008 = 0.1%	Dec. 2009	2010- 2011
2007 = 4.1%	Dec. 2008	2009- 2010
2006 = 2.5%	Dec. 2007	2008- 2009
2005 = 3.4%	Dec. 2006	2007- 2008
2004 = 3.3%	Dec. 2005	2006- 2007
2003 = 1.9%	Dec. 2004	2005- 2006
2002 = 2.4%	Dec. 2003	2004- 2005

# Calculating Limiting Rate



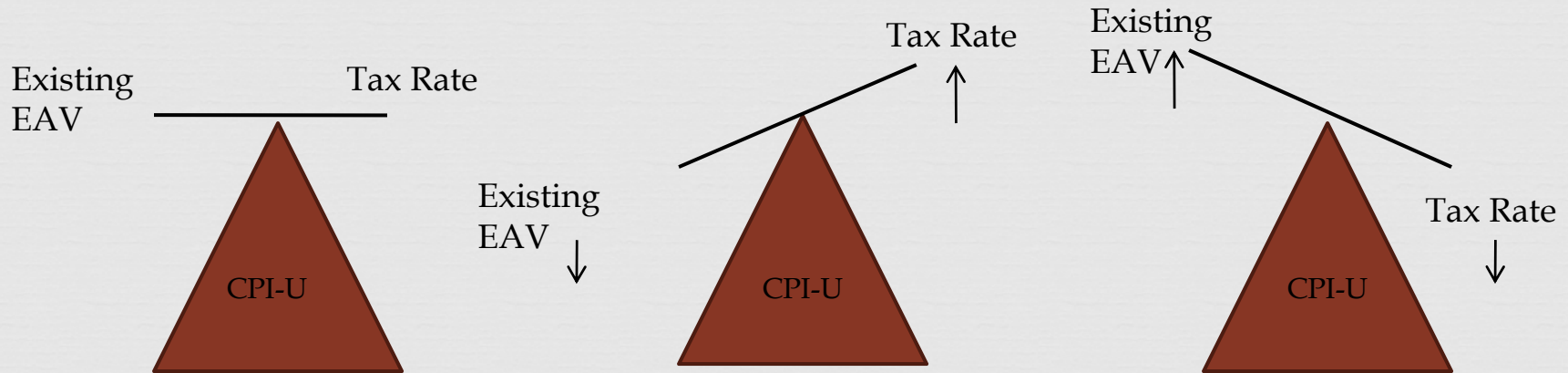
✧ The limiting rate equals:

$$\frac{\text{Prior Year Extension} \times (1 + \text{Lessor of } 5\% \text{ or CPI-U})}{\text{(Total EAV - New Construction)}}$$

Notes:

- 1) Limiting rate is based on prior year extension – provides rationale for balloon levy
- 2) New construction is outside of tax cap
- 3) Bond and interest payments are outside of tax cap

# EAV Change, CPI-U and Tax Rate



- If EAV is flat and CPI-U is flat, the Tax Rate is flat
- If EAV is declining or increasing less than the CPI-U increase, the Tax Rate will increase. **NOTE:** This is the current situation.
- If EAV increase is more than the CPI-U increase, the Tax Rate will decline.
- Tax rates are determined after the EAV is finalized and requests are made.
- If the assessment for one property value is raised or lowered, that has an effect on the tax bill for everyone else

# Q & A

