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State tax cap puts lid on school budgets

Districts reluctant to seek ballot measures are cutting staff, programs

By Diane Rado
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With irate property owners clamoring for relief, Illinois lawmakers passed a law in 1991 to cap skyrocketing real estate tax bills.

At the time, no one anticipated that more than 17 years later, the rate of inflation—the key measure used in the legislation to limit tax increases—would be less than 1 percent.

In 2008, the annual bump in the rate was an unprecedented 0.1 percent. That means most taxpayers can expect only slight increases in their 2009 tax bills, which are paid in 2010.

But it also means that many school districts and other government agencies will see only tiny increases in the property-tax revenues they will collect next year. And that has sent shock waves around the state, as school districts scramble to adjust their budgets and plan for cuts as early as next school year.

With tax referendum measures not a very viable possibility in the current recession, suburban districts are moving to eliminate everything from staff to band programs and sports teams as they try to cover teacher salaries and other costs that are going up far greater than 0.1 percent.

Most districts rely on local property taxes to cover the majority of their budgets and don't anticipate the state coming to the rescue. The state already is behind on sending money to districts for special education, transportation and other costs. The unease has reached Springfield, where lawmakers have begun filing legislation to change the so-called tax-cap law and provide relief for school budgets.

Taxpayer advocates are wary of any changes.

"I think that the tax-cap program is working the way it was supposed to work," said Tom Johnson, president of the Taxpayers' Federation of Illinois.

Jim Tobin, head of National Taxpayers United of Illinois, is unsympathetic to school districts, saying they "have been on a gravy train for I don't know how long."

He said school districts have the option of seeking voter approval for a tax increase, which is allowed under the tax-cap law.

But most school-tax referendum measures in Illinois have failed, according to the Illinois State Board of Education. And now, school officials say it is unlikely they would turn to voters.

"We don't believe these economic times are the appropriate time to ask for more money," said Mary Kalou, assistant superintendent of business and operations for Lake Zurich-based Community Unit School District 95.

Her district has struggled with deficits in the past, she said, and the 0.1 inflation rate that limits property-tax revenues adds to the strain.

The district is planning about \$4 million in cuts for the 2009-10 school year, including freezing or reducing some salaries and eliminating some staff positions, sports teams and academic programs. Among the programs targeted is an elementary orchestra program for 4th and 5th graders. The district also plans to increase registration and athletic fees.

In Elgin-based Unit School District 46, several million dollars in cuts already have been made and the district is looking everywhere it can to slash another \$17 million.

"For the 2009-2010 budget, everything is on the table—including the table. We simply cannot spend more than our anticipated revenue," U-46 Supt. José M. Torres told staff in a memo sent Feb. 13. Options include freezing the pay of administrators and non-union employees, Torres wrote.

In DuPage County, Wheaton's Community Unit School District 200 is considering \$7.7 million in cuts, including postponing new textbook purchases, eliminating a 4th-grade orchestra program in which 288 students participate, and eliminating "B" athletic teams in middle school. The district hopes to add more slots on "A" athletic teams, which have the best players. Students formerly on B teams also could play intramural sports, officials said.

The district has been struggling with declining enrollments and other issues, but "a bad situation got worse" as a result of the tax cap situation for 2009, said Bill Farley, assistant superintendent of business operations for District 200.

In neighboring Glen Ellyn, Glenbard Township High School District 87 recently decided to reduce summer maintenance projects by \$1.3 million after getting the news about property tax revenues.

The tax-cap legislation had its roots in DuPage County in the late 1980s when property assessments were rising rapidly and tax bills were doubling from year to year. People protested and politicians started listening.

State Sen. Dan Cronin (R-Elmhurst) got his start in politics by running a "tax revolution" campaign that he said allowed him to beat a longtime incumbent and win a seat in the state House, where he served from 1991 to 1993 before moving to the state Senate. Jim Edgar came into the governor's office in 1991 pushing for a tax-cap law and got it, said state Sen. Kirk Dillard, a Hinsdale Republican who served as Edgar's chief of staff at the time.

The tax-cap law was applied first to Chicago collar counties and then to Cook County. It now is an option for other counties if voters approve. The aim was to limit increases in real-estate tax bills, especially when the market value of homes is rising faster than the rate of inflation.

The law restricts many school districts and other taxing bodies to annual increases in their property-tax revenues of 5 percent or no more than the year-to-year jump in the Consumer Price Index, whichever is less. In most years, the inflation rate has been used because it has been lower than 5 percent. The figure is rolled into a tax-cap formula that determines tax rates and tax bills.

Individual tax bills can rise higher than the rate of inflation for a variety of reasons, including voter approval of a real-estate tax increase.

As to the 0.1 percent inflation rate in 2008, Dillard said: "We never anticipated the Consumer Price Index might be near zero, but what's wrong with that? Because that's good for American consumers."

One bill filed in the General Assembly in February would prevent the cap from falling below 2 percent. Another bill would allow the use of a different inflation measure in the formula—an employment cost index that tracks changes in labor costs—which could benefit school districts.

Cronin said he has empathy for school districts, but, "we have to have balance in our perspective. You know, there are people losing their jobs; people who are losing their pensions. I know that government is unaccustomed to actually cutting back and making serious downsizing decisions. We're going to have to embrace that here."

Some districts are not panicking over the impact of the tax cap.

In Joliet, Public Schools District 86 gets a greater percentage of state and federal dollars for its budget than other districts, said Troy Whalen, assistant superintendent for business, so it is not affected as dramatically when local property revenues remain flat. The district also has reserves to help shore up its budget if necessary.

Schaumburg-based School District 54 in Cook County is not planning to make drastic cuts, said Mohsin Dada, assistant superintendent for business services who also serves as president of the Illinois Association of School Business Officials.

"My method of operation has not changed. I have always looked at ways to reduce costs," Dada said. "We need to contain our costs at all times, good times and bad times."

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