

Public Hearing Truth-In-Taxation

August 2016



Purpose of Public Truth-in-Taxation

- State statute requires a school district to hold public hearing if the estimated property tax levy for a given year is more than 5% greater than the previous year's property tax extension (35 ILCS 200/, Property Tax Code)
- Purpose of hearing is for a district to disclose its intention to adopt such a levy, explain the reasons for the proposed increase, and to allow the public to present testimony
- CPS corporate and special purpose property taxes:
 - Actual 2016 Extension = \$2,398.4 million
 - Proposed 2017 Levy = \$2,741.2 million
 - Increase of **14.3%**



FY 2017 Budget Overview



Projected Deficit: \$1.14 billion



New Revenue & Cost Cutting Helps Close Deficit

- With \$173 million in structural savings from CPS administration, new revenue provided by the State and Chicago taxpayers closed the FY17 deficit to \$300 million.
- A combination of continued expense reductions, administrative efficiencies, and additional revenues will close the remaining FY17 budget gap.

Original FY 17 Deficit	\$1.14 Billion
Total FY 16 Savings Initiatives	
Central Office Position Cuts	(\$173)
Non-Union Healthcare & Pension Contribution Increases:	(\$8)
School Budget Reductions with Grant Offset	(\$120)
Total New FY 17 Revenue	
GSA Hold Harmless	(\$74)
Early Childhood Grant	(\$29)
Equity Grant	(\$102)
Chicago Pension Property Tax Levy	(\$250)
Partial Pension Parity	(\$215)
FY 17 Savings Initiatives	(\$300)
Remaining Deficit	\$0



Property Taxes



Outline - Property Taxes

- Three components of Property Tax increase:
 1. Capital Improvement Tax Levy
 2. Raising existing property taxes under PTELL/tax caps
 3. Restore teacher pension levy

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



Capital Improvement Tax (CIT)

- Levy authorized by state statute (105 ILCS 5/34-53.5)
- CPS started levying in 2016 and may continue levying annually, increasing at rate of inflation*
- Outside of PTELL tax cap-- does not reduce Board's ability to levy for operating purposes
- Purpose of tax: providing a reliable source of revenue for capital improvement purposes. Can be used for (including bond issuance):
 - Constructing & equipping new school buildings and additions
 - Purchase of school grounds
 - Rehabilitation, renovation, and equipping of existing school buildings
- Growth in CPI above base allows CPS to levy \$2.9 million above prior year:
 - CIT extension in 2016: \$45.0 million
 - CIT proposed levy in 2017: \$47.9 million

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



Capital Plan

- CPS' FY17 Proposed Capital Budget includes \$338 million of investments in school repairs and improvements, overcrowding relief, and classroom modernization.
- \$266 million of the projects will be funded by CPS bonds, \$233 million of which will be funded by the proceeds of bonds backed by the Capital Improvement Tax. Will be used for:
 - Overcrowding relief
 - Major facility repairs and improvements
 - IT infrastructure
- \$72 million will be funded by outside sources

Funding Source	Amount
CPS-Issued Bonds	\$265,906,639
TIF Funding	\$54,000,000
Federal E-Rate Funding	\$17,600,000



Property Tax Extension Limitation Law (PTELL)

- 48% of CPS operating revenue comes from Property Taxes in FY 17 Budget
- The Property Tax Extension Limitation Law (PTELL) or “Tax Caps” limits growth in CPS’ operating property tax extensions to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year
- 2015 CPI determines 2017 extension:
 - 0.7% increase in CPI in 2015 expected to produce \$17 million increase in revenue from existing property in 2017
- CIT and pension tax are outside of PTELL tax cap

Year	December CPI-U	% Change From Previous December	% Use for PTELL	Comments	Levy Year	Years Taxes Paid
1991	137.900	--				
1992	141.900	2.9%	2.9%		1993	1994
1993	145.800	2.7%	2.7%	(5 % for Cook)	1994	1995
1994	149.700	2.7%	2.7%		1995	1996
1995	153.500	2.5%	2.5%		1996	1997
1996	158.960	3.6%	3.6%		1997	1998
1997	161.300	1.5%	1.5%		1998	1999
1998	163.900	1.6%	1.6%		1999	2000
1999	168.300	2.7%	2.7%		2000	2001
2000	174.000	3.4%	3.4%		2001	2002
2001	176.700	1.6%	1.6%		2002	2003
2002	180.900	2.4%	2.4%		2003	2004
2003	184.300	1.9%	1.9%		2004	2005
2004	190.300	3.3%	3.3%		2005	2006
2005	196.800	3.4%	3.4%		2006	2007
2006	201.800	2.5%	2.5%		2007	2008
2007	210.036	4.08%	4.1%		2008	2009
2008	210.228	0.1%	0.1%		2009	2010
2009	215.949	2.7%	2.7%		2010	2011
2010	219.179	1.5%	1.5%		2011	2012
2011	225.672	3.0%	3.0%		2012	2013
2012	229.601	1.7%	1.7%		2013	2014
2013	233.049	1.5%	1.5%		2014	2015
2014	234.812	0.8%	0.8%		2015	2016
2015	236.525	0.7%	0.7%		2016	2017

Source: Illinois Department of Revenue, 1-20-16



Property Tax Extension Limitation Law (PTELL), Continued...

- CPS has increased property taxes in 25 of the last 26 years
- CPS has increased property taxes *to the PTELL cap* in 22 of the last 26 years, and in every year since 2011
- Annual increases in CPS property tax extensions for tax-capped funds and CIT have averaged \$55 million since 1995
- PTELL law allows CPS to levy same rate on new property as it does on existing property
 - Contributes to \$51.3 million of levy increase for CPS

* CPS property tax extensions



Teacher Pension Property Tax

- PA 99-0521 was signed into law on June 30, 2016 and reinstates the ability of the Board to levy a property tax dedicated to paying for teacher pensions annually, starting in 2017
- Outside of PTELL tax cap, meaning levying of pension property tax does not reduce Board's ability to levy for other operating purposes
- Maximum of 0.383% levy on all taxable property within district
- **Proceeds paid directly to Chicago Teacher Pension Fund and not to CPS**
- Levy of \$271.8 million (0.383% x \$70,968.5 million EAV) projected to produce **\$250 million** in revenue in FY 2017
 - CPS anticipated *revenue* is less than its proposed *levy* largely because of Cook County "collection percentage"
- Estimated remaining CPS teacher pension payment in FY 2017:

	<u>(\$ in Millions)</u>
Required FY 17 Employer Contribution	\$ 733
<u>State Effort</u>	
New Partial Pension Parity	\$ (215)
Required State Annual "2.2" Contribution	\$ (12)
<u>Local Effort</u>	
Reinstated Pension Levy	\$ (250)
Remaining Amount to be Paid by CPS in FY 17	\$ 256

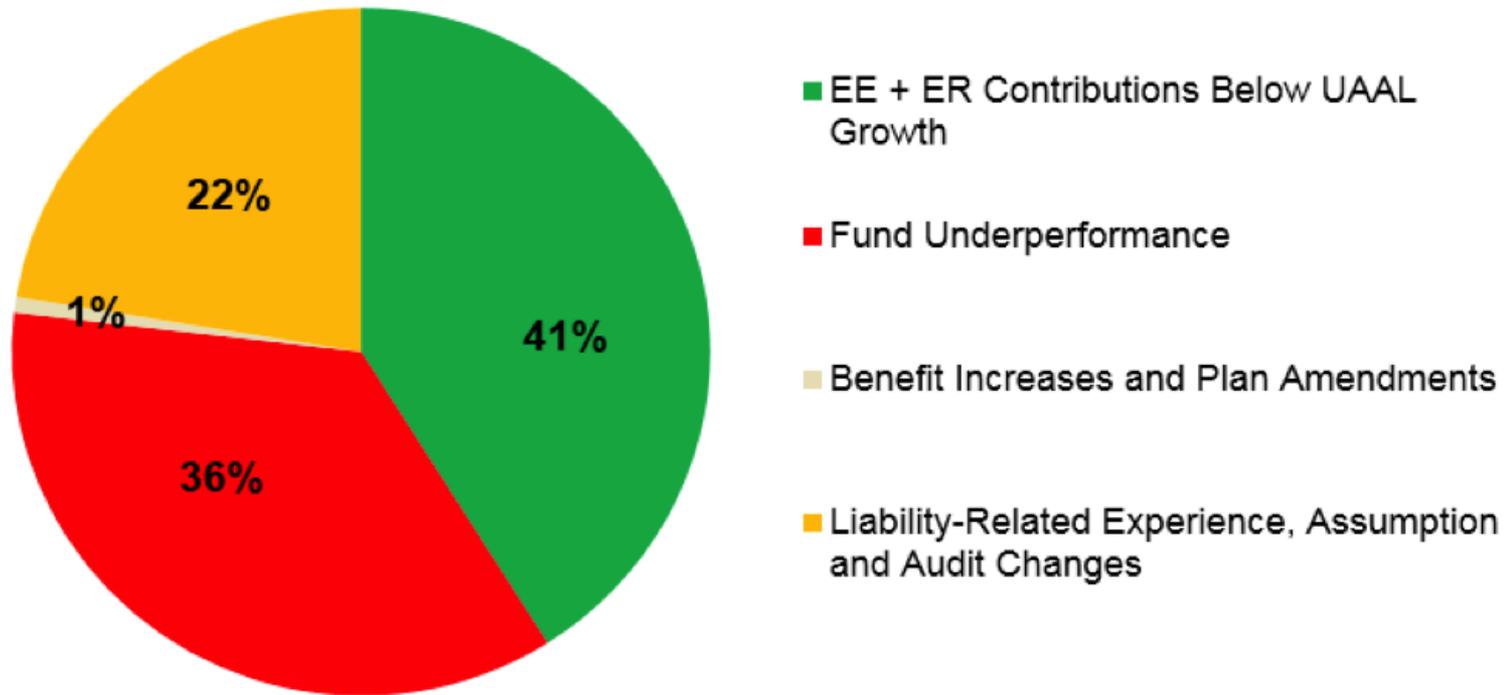


Teacher Pensions



Teacher Pensions are Underfunded for 3 Main Reasons; Majority of Growth in Unfunded Actuarial Accrued Liability (UAAL) Not Due to Shortfall in Contributions

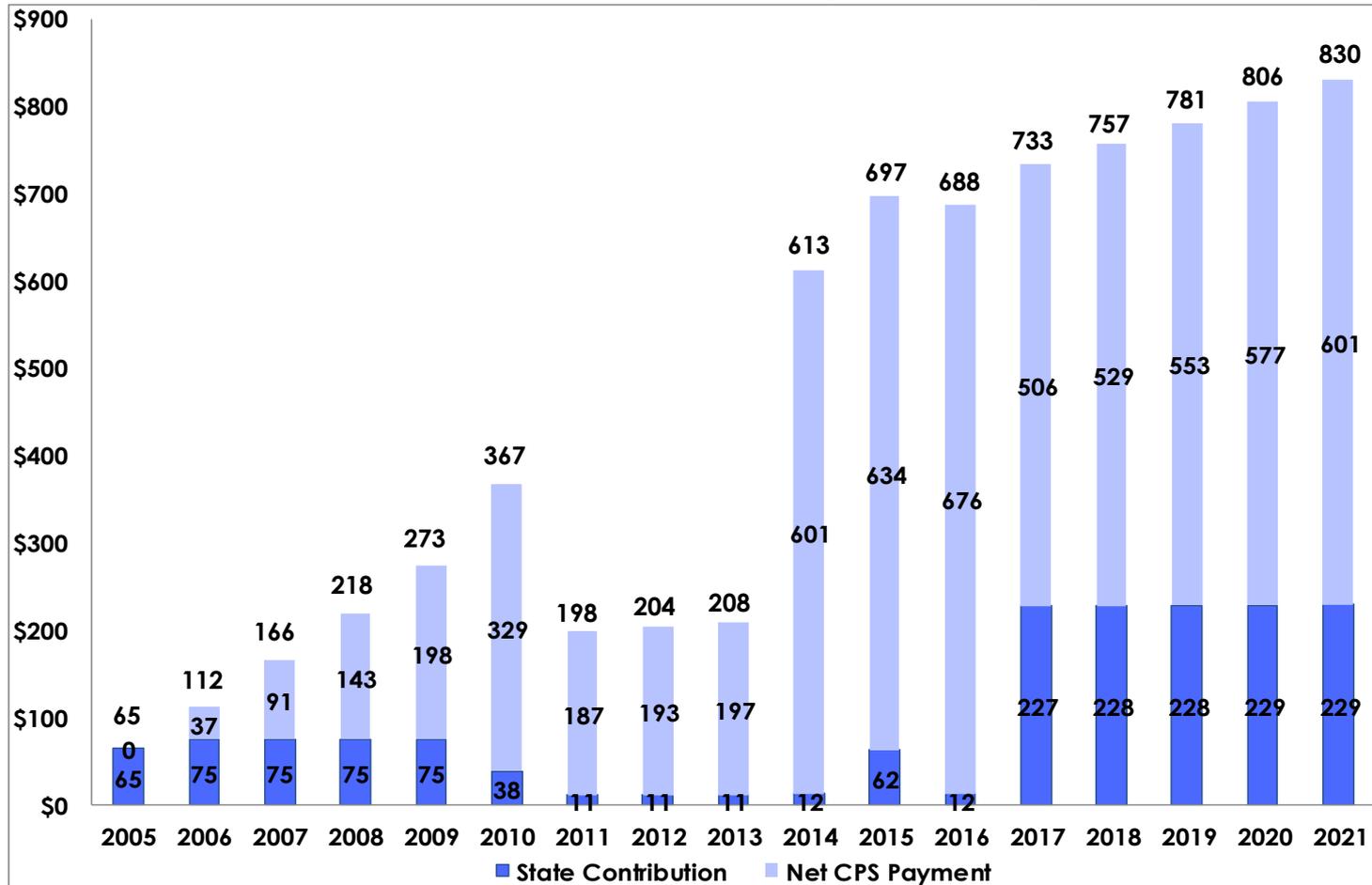
Causes of Decrease Funded Ratio from 6/30/01 to 6/30/15



Source: December 2015 Reconciliation of CTPF Funded Status, prepared by Aon Hewitt for Chicago Public Schools
"EE" refers to "Employee" and "ER" refers to "Employer"

CPS Required Employer Contributions to Teacher Pensions Grows Dramatically

CPS Annual CTPF Contributions (\$ in Millions)

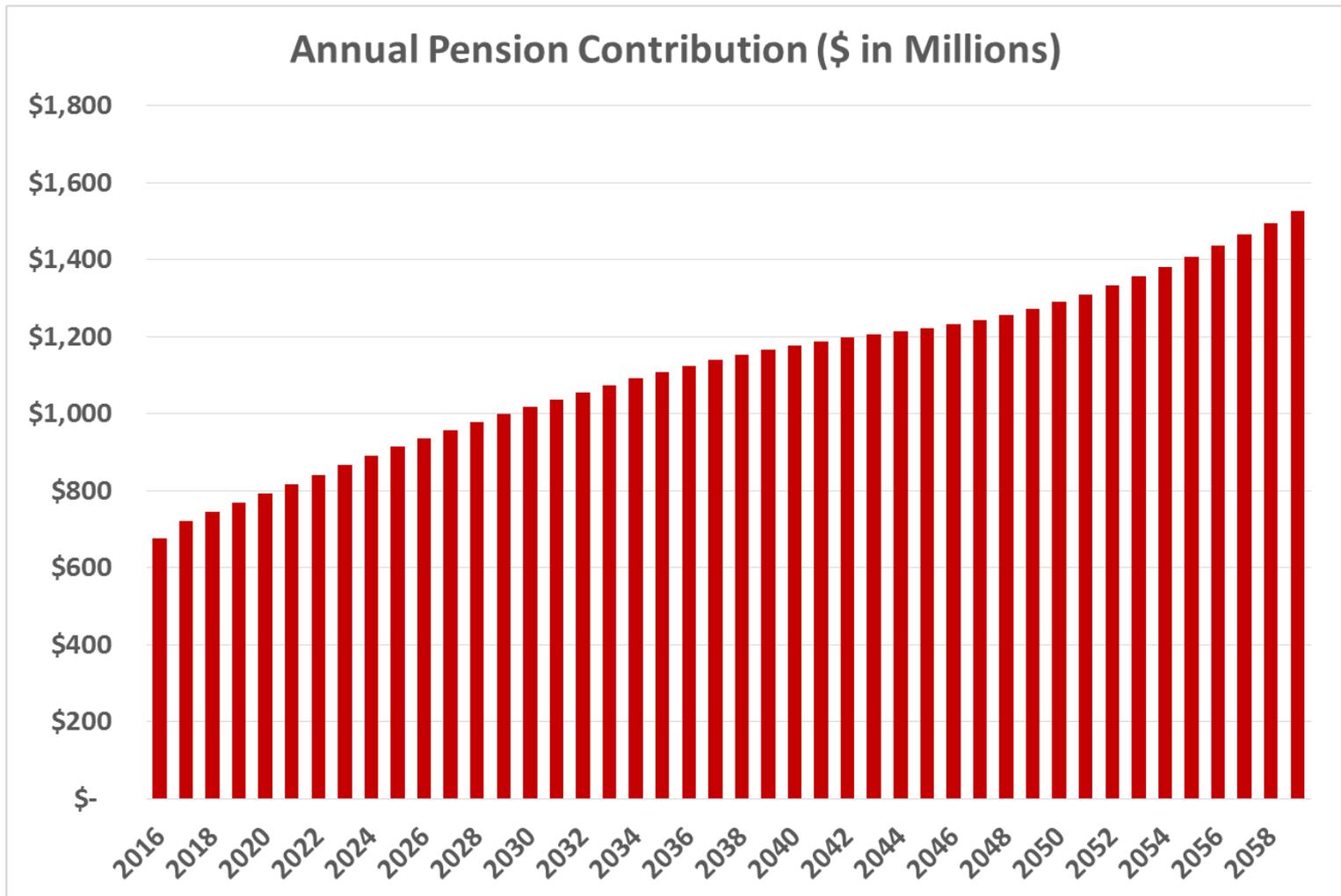


Source: 6/30/15 actuarial valuation; FY 17 certified + projections

Assumes CPS nets state contribution from payment and pledged \$215M from state in FY 17 continues in future years



CPS Employer Pension Contributions Will Continue to Grow Every Year until 2059 When 90% Funding Ratio is Reached



Source: 6/30/15 actuarial valuation



CPS' current practice of funding a 7% pension pick-up for teachers costs \$130 million annually

CPS Employee Pension Contributions versus other City Agencies

State / District	Employee Contribution
CPS	2.0%
CTA	10.125%
City Colleges	8.0%
City	8.5%
	11.5% New Hires
Police	9.0%
	Going to 11%
Park District	10.0%



What are the New Tax Revenues in 2017 Being Used for?

1. Maintain classroom funding
2. School construction; CIT-bond funded projects
3. Helping pay for teacher pensions



Breakdown of Property Tax Increase*

- Proposed 2017 levy of \$2,741.2 million represents a 14.3% increase over the 2016 extension of \$2,398.4 million

Corporate & Special Purpose Property Taxes (\$ in Millions)	
<u>Actual 2016 Property Tax Extensions</u>	
Tax Capped Funds (PTELL)	\$ 2,353.4
Capital Improvement Tax Fund	\$ 45.0
Total 2016 Extension	\$ 2,398.4
<u>Proposed 2017 Increases</u>	
Inflation/CPI (PTELL)	\$ 16.8
New Property (PTELL)	\$ 51.3
Capital Improvement Tax	\$ 2.9
New Teacher Pension Tax Levy	\$ 271.8
Total Estimated 2017 Increase	\$ 342.8
<u>Proposed 2017 Property Tax Levy</u>	
Total 2017 Proposed Levy	\$ 2,741.2
% Increase over 2016 Extension	14.3%

*Does not include extension for PBC rent funds which was \$53.6M for FY16 and an estimated FY17 levy of \$53.2M



Impact of Property Tax Increase on Homeowner Tax Bill

Tax Impact of Increase in CPS Property Taxes on 2017 Tax Bill of Average Home of \$250,000 Market Value

Increase due to Inflation/CPI (PTELL)	\$	14
Increase due to Capital Improvement Tax	\$	2
Increase due to Reinstatement of Teacher Pension Tax	\$	228
Total 2017 Increase	\$	245

Due to rounding, numbers may not add precisely to totals provided

