

The high school and your tax bill

Opinion: Columns

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One View

Issues involving Oak Park and River Forest High School and property taxes have been in the news recently. After receiving first installment tax bills at the end of January, taxpayers may wonder how these issues are influencing their bills.

One important issue involving the high school relates to its tax levy. The school reduced its tax levy by \$10 million in 2014, and retained the \$10 million reduction in 2015. For 2016, however, the school's levy will increase by about \$10 million. In addition, the school has been discussing the possibility of borrowing \$17.5 million to help finance the construction of a new swimming pool.

Swimming Pool: There will be no impact on local tax bills this year from the proposed swimming pool. The school board, after encountering significant opposition to its plan to borrow millions for the pool without a referendum, abandoned the plan. Until the board decides how to proceed, there will be no pool-related impact on tax bills.

Levy Increase: The school's recently announced \$10 million levy increase will impact tax bills this year. This higher levy will be part of a combined increase for all local governments that I estimate will be 6% this year in Oak Park and 6.3% in River Forest. (See chart.) The full impact of these levy increases will be apparent when the second installment bills are issued this summer,

at which point it will be possible to ascertain total tax bills for the year. I expect the annual tax increase for most taxpayers will be close to the estimated levy increases of 6%-6.3%.

Questions

Why did the school reduce its levy by \$10 million in 2014 and keep the reduction in 2015?

To answer this question, some history is required. In 2002, voters approved a referendum allowing the high school to increase its tax levy. In 2005, the school became aware of a quirk in state law that allowed it to levy much more than was anticipated in 2002. In a controversial move, the school board increased its 2005 tax levy by 16.5%, resulting in a revenue increase of \$7.7 million in 2005 and subsequent years.

The controversial 2005 decision allowed the school to substantially increase its reserves over time. By 2013, the school's reserves had grown to more than \$100 million, and many in the community felt the school had too much money in reserve. This became the majority view on the school board in 2013, and led to the decision to reduce the school's fund balance via a \$10 million levy reduction in 2014 and 2015.

When the school board reduced its 2014 and 2015 levies, however, it explained that it would likely restore the levy to the previous level after two years. This is what the school is doing now.

Why didn't I notice the \$10 million tax cut on my tax bill in 2014? If the high school were the only unit of local government, tax levies would have fallen by a very noticeable 15% in 2014, and would have remained at this lower level in 2015. But the high school is one of many local governments with the power to levy taxes. Of these governments, the high school is the second largest in terms of property taxes, receiving 24% of all taxes paid in Oak Park last year, and 27.5% of the taxes paid in River Forest.

Although a \$10 million tax reduction from the second biggest taxing district is significant, the impact of the reduction was partially offset by the fact that most other taxing districts had modest to moderate increases in their tax levies over the last two years. The school's 2014 tax reduction, when combined with the tax increases of the other local governments, resulted in a net reduction of 1.8% in overall tax levies in Oak Park, and a net reduction of 3.4% in River Forest.

Isn't there a law preventing the school from raising its levy by \$10 million this year?

Illinois' 'tax cap' law seeks to protect taxpayers from large increases in government spending. Under the law, the high school and most other local taxing districts can increase their annual property tax levies, but only to keep pace with inflation. Thus if inflation is 2% and the prior year's levy was \$100, the maximum levy for the current year would be \$102.

With this year's \$10 million increase, the high school levy is 20% higher than last year, an increase well above the rate of inflation. The authority for such a large increase is a seldom-used provision of the tax cap law that allows a taxing district to use the highest tax levy over the last three years as the base for setting the current levy. This provision of the law allows a taxing

district to reduce its tax levies in the short term without losing its taxing authority over the long term.

The high school's levy was roughly \$65 million in 2013, and \$55 million in 2014 and 2015. Since the highest levy of the last three years was \$65 million, the school has the right to increase the \$65 million levy from 2013 by the current rate of inflation. The result is an estimated levy for this year of \$65.5 million.

When the high school reduced its levy by \$10 million two years ago, the school board sought to reduce its fund balance while providing a measure of tax relief for the community. Having accomplished these goals, the board has now decided to reinstate its tax levy to the higher level in effect in 2013.

Comparing High School Tax Levies to Other Local Levies For Calendar Years 2013-2016

Oak Park

<i>Year Taxes Paid</i>	<i>OP Share of High School Levy</i>	<i>% Change</i>	<i>Other OP Tax Levies</i>	<i>% Change</i>	<i>Total OP Tax Levies</i>	<i>% Change</i>
2013	\$47,809,689		\$122,670,372		\$170,480,061	
2014	\$40,405,566	-15.5%	\$126,981,097	3.5%	\$167,386,663	-1.8%
2015	\$40,439,092	0.1%	\$129,615,310	2.1%	\$170,054,402	1.6%
2016 (Estimated)	\$48,439,717	19.8%	\$131,813,074	1.7%	\$180,252,791	6.0%

River Forest

<i>Year Taxes Paid</i>	<i>RF Share of High School Levy</i>	<i>% Change</i>	<i>Other RF Tax Levies</i>	<i>% Change</i>	<i>Total RF Tax Levies</i>	<i>% Change</i>
2013	\$17,217,745		\$36,902,733		\$54,120,478	
2014	\$14,553,928	-15.5%	\$37,718,888	2.2%	\$52,272,816	-3.4%
2015	\$14,280,551	-1.9%	\$37,596,334	-0.3%	\$51,876,885	-0.8%
2016 (Estimated)	\$17,107,938	19.8%	\$38,055,325	1.2%	\$55,163,263	6.3%

Note: For the estimated 2016 levies, it is assumed that all local taxing districts subject to the tax cap law have increased their levies by the maximum amount this year, which is 0.8%. In addition, the Oak Park and River Forest shares of countywide tax levies will not be known until June of 2016. For these reasons, the 2016 figures listed under "Other Levies" are necessarily estimates.

Source: Ali ElSaffar, Oak Park Township Assessor