

April 2017 Operating & Capital Funds Referenda

November 15, 2016 Update



DRAFT WIP –FOR DISCUSSION PURPOSES ONLY

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State Funding – Calculations and Projections



◆ Goals of Presentation

1. High level overview of state funding formula
2. Details about Local Resource Calculation
3. Examples of Annual Increases
4. TIF Expirations Impact on Total Revenue
5. Possible Future State Funding Changes



Part 1

State Funding High Level Overview

State Funding – High Level Overview



◆ Foundation Level

- Excludes poverty, special ed, transportation, EC, and others
- Set by statute - currently \$6,119 – unchanged since FY2010

◆ Available Local Resources (per ADA)

- Property Wealth (EAV) based amount (much more later)
- CPPRT (Corporate Personal Property Replacement Tax)
- ADA (Average Daily Attendance)

◆ Percentage of Local Resources to Foundation Level

- Foundation Formula (0.0-0.93);
- Alternate Formula (0.93-1.75)
- Flat Grant Formula (> 1.75)

State Funding – Foundation Formula Overview



- ◆ **Foundation Formula = Foundation Level * ADA) – Local Resources**
 - Foundation Level – \$6,119
 - Education Finance Advisory Board - \$8,899 – January 2015
 - With no other changes, this change would be \$15.5M to D97, but the change was projected by EFAB to costs the state \$5B.
 - Increase level by \$100, Foundation Formula is \$555,793 higher
 - ADA – Average Daily Attendance - 2015-2016 ADA was 5,557.93
 - about 96%-98% of eligible enrollment
 - Excludes absences, 1/2 day EC count as half, PFA excluded
 - One year in arrears; 2016-2017 GSA is based on 2015-2016 ADA
 - Increase ADA by 100 and Foundation Formula is \$611,900 higher

State Funding – Alternate and Flat Overview



◆ Alternate Formula = 5%-7% of Foundation Level * ADA

- Local Resource Percent between 93% and 175%
- Does not currently apply to District 97 (but does apply to D200 and D90)
- Between \$305.95 (5% of \$6,119 at 93%) and \$428.33 (7% of \$6,119 at 175%)
- Linear between 93% and 175%; e.g. \$367.14 (6% of \$6,119 at 134%)

- Increases are very different than Foundation Formula
 - Increase ADA by 100 and that is between \$30,595 and \$42,833
 - Increase Foundation Level by 100 and between \$27,790 and \$38,906

◆ Flat Grant Formula = 218 * ADA

- Local Resource Percent greater than 175%
- Does not currently apply to District 97
- Increases are very easy to understand:
 - Increase ADA by 100 and increase is \$21,800
 - Increase Foundation Level by 100, NO increase

State Funding – Poverty Grant Overview



◆ Poverty Grant is a curvilinear funding approach

- The amount and calculations have been unchanged since FY2004
- The calculation is based on a 3-year average DHS Low Income Count
 - The average used for D97 for FY2017 was 1,144.66
- A low income concentration is that number divided by the ADA
 - For D97 the concentration is 0.2059
- Low Income Concentration Factor is \$408.46 for D97 sum of
 - \$294.25 is the base amount
 - \$2,700 is multiplied by the square of the concentration
 - $0.2059 * 0.2059 * \$2,700 = \114.21 for D97
- The Factor (\$408.46) is multiplied by the Count (1,144.66) = \$467,547.82
- Increase are not easy to calculate, but to provide a magnitude:
 - At 0.25, D97 count 1,389.48 at \$463 or an increase of about \$175,000
 - At 0.15, D97 count 833.69 at \$355 or a decrease of about \$170,000

State Funding – Adjustments and Proration



◆ Adjustments are based on Prior Years

- ◆ PTAB (Property Tax Appeals Board)
- ◆ CofE (Certificate of Error)
- ◆ The state allocates funds to pay this off and all amounts prorated
- ◆ D97 contracts with attorneys (which ones) to make file paperwork
- ◆ State is falling further behind; so the amount due is increasing

- ◆ The amounts for D97 have varied from about \$300,000 to \$425,000
- ◆ A portion of that recovery goes to the attorneys
- ◆ The variance in the projections for this value should be very low

◆ Proration – For 2016-2017, proration is 100%

- ◆ In some previous year, proration has been in the 88% to 92% range
- ◆ The proration is multiplied by the formula amount + poverty
- ◆ This has at times been about \$1,000,000. This is hard to project.

State Funding – Overview Recap



- ◆ D97 is Foundation Formula
- ◆ ADA changes can have large impact
- ◆ Foundation Level changes, while unlikely, are large
- ◆ Poverty grants are about \$450,000 and fairly stable
- ◆ Adjustments are about \$400,000 and fairly stable
- ◆ Local Resources require much more explanation



Part 2

Details about Local Resource Calculations

Local Resources - Overview



- ◆ Original EAV – As reported by the county
- ◆ Adjusted EAV – Miscellaneous adjustments to EAV;
- ◆ Prior Year EAV and PTELL Adjustment
- ◆ GSA EAV – Used for the calculation local resources
- ◆ Calculation Rate – expected tax effort (2.3%)
- ◆ CPPRT – Corporate Personal Property Replacement Tax

Local Resources – Original and Adjusted EAV



- ◆ Original EAV – As reported by the county
 - ◆ 2014 Tax Year is used for the 2015-2016SY payable in 2016-2017FY
 - ◆ Agency Overall EAV is used as the state's Original EAV
 - ◆ This number is hard to project, especially in reassessment years.
 - ◆ Due to PTELL Adjustment, this number has no current impact on GSA
 - ◆ This does impact D97 tax rate, but NOT the tax amount

- ◆ Adjusted EAV – D97 adjustments are \$0; = Original EAV
 - ◆ Adjustments for 7% Cap (Cook County only)
 - ◆ Enterprise Zone abatements and General Authority abatements
 - ◆ Property Tax Appeal Board Decisions
 - ◆ Other EAV Adjustments
 - ◆ Since all adjustments are currently zero – Adjusted EAV = Original EAV
 - ◆ PTAB decisions are hard to predict, but have been pretty low

Local Resources – PTELL Adjustment



- ◆ PTELL Adjustment – Enacted in early 2000’s
 - ◆ Designed to avoid double whammy (tax caps limit ability to access growth in EAV while growth in EAV results in reduced GSA).
 - ◆ Mechanism used is to create a GSA EAV that increases only by tax caps

- ◆ GSA EAV: min of Adjusted EAV and “Capped” Prior
 - ◆ Allowed Taxes for this year (Limiting Rate * Original EAV)
 - ◆ Actual Taxes for last year (Prior Operating Rate * Prior Original EAV)
 - ◆ ELR (Extension Limitation Ratio) is the ratio of the two above
 - ◆ Districts that tax to the PTELL limit, will have the ELR be just slightly higher than than CPI, due to new growth that is outside PTELL.
 - ◆ ELR is used to adjust the prior year’s GSA EAV
 - ◆ The last step is to take the minimum of the Adjusted EAV and this number

- ◆ Current D97 PTELL Adjustment is \$5.8M

Local Resources – Calculation Rate and CPPRT



- ◆ Calculation Rate – Elementary is, by statute, 2.3%
 - ◆ High School is 1.05% and Unit Districts are 3.0% (yes – Elementary + HS is not equal to Unit)
 - ◆ This rate is multiplied by the GSA EAV to get the major portion of Local Resources (in most districts)
 - ◆ These rates have not changed since current formula was put in place.

- ◆ CPPRT – Corporate Personal Property Replacement Tax
 - ◆ CPPRT (for foundation districts) just shift money from one bucket to another. CPPRT is collected in one year than subtracted out dollar for dollar in the next. So any error projecting CPPRT, evens out over time.
 - ◆ CPPRT (for Flat Grant Districts) is additional revenue that does not impact GSA state funding.
 - ◆ CPPRT (for Alternate Grant Districts) has a 0%-2% or so impact on GSA.
 - ◆ For a very few districts CPPRT amounts exceed their local property tax.
 - ◆ Actual Taxes for last year (Prior Operating Rate * Prior Original EAV)

- ◆ Local Resources = (GSA_EAV * 2.3%)+ CPPRT

Local Resources - Recap



- ◆ D97 has a large PTELL adjustment
 - ◆ Currently \$330M of EAV is not considered for funding (it's been higher)
 - ◆ Without this EAV adjustment D97 would be alternate grant
 - ◆ This is \$5.8M of state funding (it's been higher)
 - ◆ This is potentially a big state funding risk!

- ◆ CPPRT (for foundation districts) don't impact amounts

- ◆ PTELL Adjustment adds complexity that makes it difficult to easily calculate impact of changes.

Local Resources – Recap



- ◆ D97 has a large PTELL adjustment
 - ◆ Currently \$330M of EAV is not used for funding (it's been higher than \$900M of EAV)
 - ◆ Without this EAV adjustment D97 would be alternate grant
 - ◆ This is \$5.8M of state funding (it's been higher)
 - ◆ This is potentially a big state funding risk!

- ◆ CPPRT (for foundation districts) don't impact amounts

- ◆ PTELL Adjustment adds complexity that makes it difficult to easily calculate impact of changes.



Part 3

Examples of Annual Increases

Examples of Annual Increases - Overview



- ◆ With No New Growth and No Referendum
 - ◆ EAV changes have no impact
 - ◆ Lose 46% of CPI tax increases
 - ◆ Lose GSA even if no tax increase is taken

- ◆ With Different New Growth and No Referendum
 - ◆ Lose 46% of CPI tax increases whether new growth or CPI

- ◆ With Referendum and with and without New Growth
 - ◆ 2010 Change to GSA prevents the 46% loss
 - ◆ Modified calculation of PTELL adjustment



Examples of Increases with No New Growth

	No EAV change	EAV Down 10%	EAV Up 10%	No EAV/No Incr
CPI	2%	2%	2%	2%
2016 Original	\$1,383,005,873	\$1,244,705,286	\$1,521,306,460	\$1,383,005,873
2016 Limiting Rate	3.8862%	4.3180%	3.5329%	3.8862%
ELR Numerator	\$53,746,374	\$53,746,374	\$53,746,374	\$53,746,374
2016 Operating Rate	3.8862%	4.3180%	3.5329%	3.8100%
2016 Extension	\$53,746,374	\$53,746,374	\$53,746,374	\$52,692,524
2015 Original EAV	\$1,383,005,873	\$1,383,005,873	\$1,383,005,873	\$1,383,005,873
2015 Operating Rate	3.8100%	3.8100%	3.8100%	3.8100%
ELR Denominator/2015 Ext	\$52,692,524	\$52,692,524	\$52,692,524	\$52,692,524
2016 ELR	1.02000	1.02000	1.02000	1.02000
Prior Used for GSA	\$1,052,783,136	\$1,052,783,136	\$1,052,783,136	\$1,052,783,136
New GSA EAV	\$1,073,838,799	\$1,073,838,799	\$1,073,838,799	\$1,073,838,799
FY2017 Local Resources	\$24,214,012	\$24,214,012	\$24,214,012	\$24,214,012
FY2018 Local Resource	\$24,698,292	\$24,698,292	\$24,698,292	\$24,698,292
change in GSA	(\$484,280)	(\$484,280)	(\$484,280)	(\$484,280)
Change in Taxes	\$1,053,850	\$1,053,850	\$1,053,850	\$0
Net change in funding	\$569,570	\$569,570	\$569,570	(\$484,280)
Percent loss	46.0%	46.0%	46.0%	#DIV/o!



Examples of Increases with New Growth

	No EAV change	with \$5M EAV	with \$10M EAV	with \$20M EAV
CPI	2%	2%	2%	2%
2016 Original	\$1,383,005,873	\$1,388,005,873	\$1,393,005,873	\$1,403,005,873
2016 Limiting Rate	3.8862%	3.8862%	3.8862%	3.8862%
ELR Numerator	\$53,746,374	\$53,940,684	\$54,134,994	\$54,523,614
2016 Operating Rate	3.8862%	3.8862%	3.8862%	3.8862%
2016 Extension	\$53,746,374	\$53,940,684	\$54,134,994	\$54,523,614
2015 Original EAV	\$1,383,005,873	\$1,383,005,873	\$1,383,005,873	\$1,383,005,873
2015 Operating Rate	3.8100%	3.8100%	3.8100%	3.8100%
ELR Denominator/2015 Ext	\$52,692,524	\$52,692,524	\$52,692,524	\$52,692,524
2016 ELR	1.02000	1.02369	1.02738	1.03475
Prior Used for GSA	\$1,052,783,136	\$1,052,783,136	\$1,052,783,136	\$1,052,783,136
New GSA EAV	\$1,073,838,799	\$1,077,721,063	\$1,081,603,327	\$1,089,367,855
FY2017 Local Resources	\$24,214,012	\$24,214,012	\$24,214,012	\$24,214,012
FY2018 Local Resource	\$24,698,292	\$24,787,584	\$24,876,877	\$25,055,461
change in GSA	(\$484,280)	(\$573,572)	(\$662,864)	(\$841,449)
Change in Taxes	\$1,053,850	\$1,248,160	\$1,442,470	\$1,831,090
Net change in funding	\$569,570	\$674,588	\$779,606	\$989,642
Percent loss	46.0%	46.0%	46.0%	46.0%



Examples of Increases Referendum

	No EAV change	with \$10M	with \$10M and \$2M new growth	with \$15M and \$2M new growth
CPI	0.8%	0.8%	0.8%	0.8%
2016 Original	\$1,383,005,873	\$1,383,005,873	\$1,385,005,873	\$1,385,005,873
2015 Operating Rate	3.8405%	4.5331%	4.5331%	4.8946%
2015 Extension	\$53,114,064	\$62,692,524	\$62,783,185	\$67,790,416
2015 Original EAV	\$1,383,005,873	\$1,383,005,873	\$1,383,005,873	\$1,383,005,873
2015 Operating Rate	3.8100%	3.8100%	3.8100%	3.8100%
2015 Extension	\$52,692,524	\$52,692,524	\$52,692,524	\$52,692,524
Prior Used for GSA	\$1,052,783,136	\$1,052,783,136	\$1,052,783,136	\$1,052,783,136
Prior Year * 1+CPI	\$1,061,205,401	\$1,061,205,401	\$1,061,205,401	\$1,061,205,401
New Property EAV	\$0	\$0	\$2,000,000	\$2,000,000
Other Changes to EAV	\$0	\$0	\$0	\$0
New GSA EAV	\$1,061,205,401	\$1,061,205,401	\$1,063,205,401	\$1,063,205,401
FY2017 Local Resources	\$24,214,012	\$24,214,012	\$24,214,012	\$24,214,012
FY2018 Local Resource	\$24,407,724	\$24,407,724	\$24,453,724	\$24,453,724
change in GSA	(\$193,712)	(\$193,712)	(\$239,712)	(\$239,712)
Change in Taxes	\$421,540	\$10,000,000	\$10,090,661	\$15,097,892
Net change in funding	\$227,828	\$9,806,288	\$9,850,949	\$14,858,180
Percent loss	46.0%	1.9%	2.4%	1.6%

Examples of Annual Increases - Recap



- ◆ All examples are D97 specific (Foundation, etc.)
- ◆ Without Referendum – D97 loses 46% of new taxes (whether CPI increases or New Growth Related)
- ◆ EAV reassessment changes do not impact GSA
- ◆ Referendum takes very little hit to GSA – only CPI and New Growth.



Part 4

TIF Expirations Impact on Total Revenues

TIF Expirations Impact - Overview



- ◆ Estimates without Referendum nor Major Buildings
 - ◆ Harlem and Garfield – tracking down (< \$100K)
 - ◆ Madison Street TIF – Tax Year 2018 – FY2020
 - ◆ Downtown TIF – Tax Year 2019 – FY2021
- ◆ Estimates of Vantage Oak Park and Elevate Oak Park
- ◆ Changes to GSA Loss with Referendum

TIF Expirations – No Referendum, No Major Buildings



- ◆ Madison Street TIF – Tax Year 2018 – FY2020
 - ◆ Current Increment is \$17,400,000 EAV
 - ◆ Current operating rate is 3.8100%
 - ◆ Estimated value is \$662,940 (without referendum)
 - ◆ D97 Nets 54% or **\$357,988**

- ◆ Downtown TIF – Tax Year 2019 – FY2021
 - ◆ Current Increment is \$62,900,000 EAV
 - ◆ Current operating rate is 3.8100%
 - ◆ Estimate value is \$2,396,490 (without referendum)
 - ◆ GSA Reduction is assuming no changes (1,102,395)
 - ◆ Current TIF surplus payments end about (\$2,000,000)
 - ◆ D97 has a total revenue impact loss of about **\$700,000**

TIF Expirations – Vantage and Elevate Oak Park



◆ Vantage Oak Park

- ◆ Initial Market Value \$55,000,000 -> Assessed Value \$5,500,000
- ◆ 2015 tax year equalizer was 2.6685 -> Initial EAV \$14,676,750
- ◆ 2015 operating tax rate is 3.81% -> Taxes \$559,284
- ◆ 46% loss of GSA lowers that to \$301,959
- ◆ However, assessment is under appeal – could easily be 10%-30% lower

- ◆ 122 1-BR and 108 2-BR – Elhers Estimates 9.5 K-5 and 4.5 Middle School
- ◆ About 14 students at average operating costs of \$13,500 is \$189,000
- ◆ Bringing the net value down to only about \$112,000
- ◆ With appeal it could be as little as \$10,000 to \$90,000

◆ Elevate Oak Park doesn't yet have an initial assessment

- ◆ Similar size (270 vs 250 units), so magnitude of taxes should be similar.

TIF Expirations – Referendum Impact



- ◆ Preceding Estimates are based on our existing Tax Rate
- ◆ Referendum increase will increase value of expiration
- ◆ Referendum increase will reduce loss of GSA from 46% to approximately 35% to 40% depending on the size of the referendum
- ◆ High-end estimates of referendum put expiration being roughly zero rather than the loss of about \$240,000
- ◆ New buildings could maybe add an extra \$500,000

TIF Expirations Impact - Recap



- ◆ TIF Expiration result in new property tax revenues, but result in loss of GSA and TIF Surplus Payments.
- ◆ New residential properties also have expenditure impact on D97.
- ◆ TIF expirations and two major buildings are likely to be mildly positive for D97, but certainly not a windfall.
- ◆ There are additional building projects that may break ground in a couple of years that will likely result in more net revenue, but cannot be projected at this point.



Part 5

Possible Future State Funding Changes

Possible Future State Funding Changes - Overview



- ◆ Proration could be re-enacted - \$1M-\$2M per year
- ◆ PTELL Adjustment ending or change could result in a loss of \$5.8M per year, but would likely be phased out.
- ◆ Pension Shift could be results in \$3M per year and likely would be phased in over 5-10 years.
- ◆ Hold harmless has some support from both sides
- ◆ New state funding might use total operating revenue as a was to prioritize new funding rather than just EAV.

THANK YOU!

For follow up questions and
Information, please contact us.



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