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The Cost of a Two-Year Property Tax Freeze For Illinois Schools: Up to \$830 Million

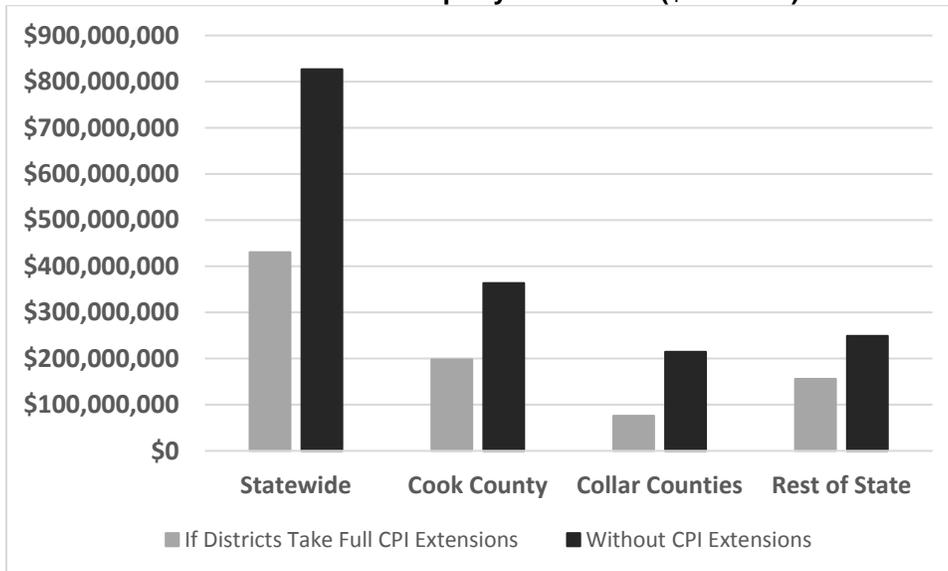
June 23, 2017

On May 30, 2017, the Illinois Senate passed Senate Bill (SB) 484, which would freeze property tax collections for school districts across the state for two years. Such a measure has been a central demand of Governor Bruce Rauner, who has insisted that he will not sign a full state budget without a property tax freeze.

However, an analysis of the data indicates that, if a that a two-year property tax freeze were implemented in 2017, it would be devastating for Illinois' public education system, **effectively cutting between \$430 million and \$830 million from K-12 education per year** by the end of 2019.

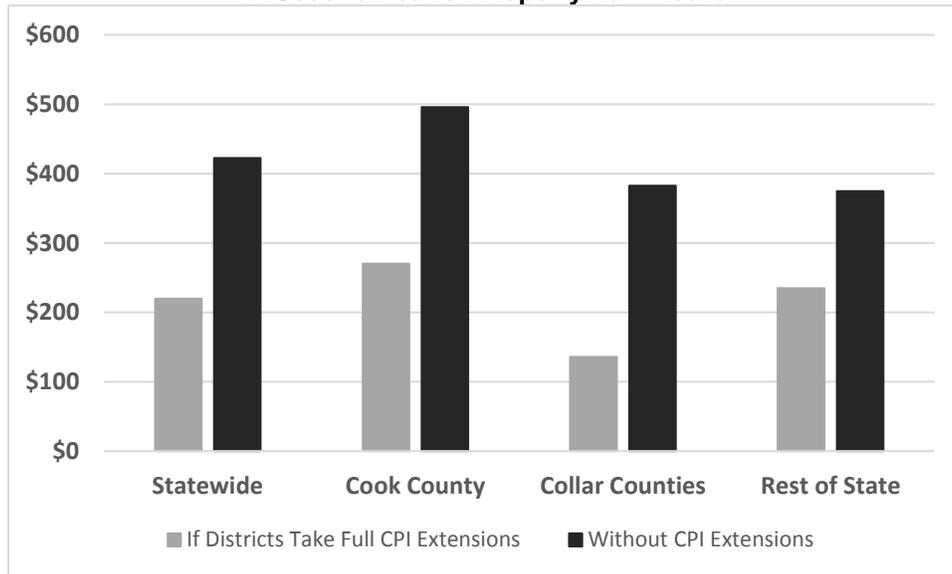
This projection was derived by applying the property tax freeze in SB484 to property tax collections by school districts in 2014 and 2015, the most recent years for which full property tax data is available from the Illinois Department of Revenue. Because the base of collections has increased since then, a funding gap created by the freeze of the same proportion would be greater in nominal dollars today. The smaller amount, \$430 million, assumes that every district will increase its levy by the full Consumer Price Index (CPI), which SB484 would allow only for debt and pension payments. The larger amount, \$830 million, is the effect of the freeze if no district has debt payments for which it can increase its levy under these terms.

Figure 1: Reduction in School Funding in Second Year of Property Tax Freeze (\$ millions)



These cuts would hit all areas of the state. Cook County would see an annual schools funding cut of between roughly \$200 million and \$360 million; the collar counties, between \$76 million and \$214 million; and districts in the rest of the state, between \$156 million and \$250 million. On a per-pupil basis, these cuts amount to as much as \$496 for every student in Cook County, \$382 for every collar county student, and \$375 for every student in the rest of Illinois. Figures 1 and 2 illustrate these cuts.

Figure 2: Per-Pupil Reduction in School Funding in Second Year of Property Tax Freeze



These cuts would come in the context of long-term disinvestment in Illinois public schools. Between fiscal year (FY) 2000 and FY2015, after accounting for population growth and inflation, the state of Illinois has reduced spending on K-12 public schools by over \$1 billion, or about 13 percent.ⁱ Partly as a result, the state of Illinois pays a lower share of the cost of K-12 education than nearly any other state in the country, shifting a massive burden onto local property taxes. But a property tax freeze would simply starve school districts of local funding without any corresponding increase in state support—resulting in critical cuts to classrooms in communities across Illinois.

ENDNOTES

ⁱ FY2015 appropriation for K-12 Education excludes \$200 million from the Fund for Advancement of Education that is appropriated for General State Aid. The Illinois State Board of Education includes that \$200 million in its FY2015 General Fund budget report.