

2016 Levy – The levy is the amount of money a school district certifies to be raised from property taxes. Our District’s levy process began in November and will be completed at our December meeting. A tentative levy was placed on file for over the required 20 days and the permanent levy needs to be voted on by the Board of Education and filed with the county clerks (Lee and Ogle) by the last Tuesday in December.

This levy will be extended in the spring and summer of 2017 and represents tax revenues that will be collected to operate the FY 18 (2017-2018) school year. It is important that the Board realizes that the assessed value figure for the 2016 tax year is a projection. We will not have actual 2016 Equalized Assessed Value figures until April or May of next year, but the District will not have the opportunity to amend the 2016 tax levy at that time. Because of this time cycle, the tendency is to estimate the assessed value slightly on the high side. *A taxing body can and probably will get less, but it cannot get more than its levy.*

With the ongoing budget issues in Springfield, the uncertainty of what will happen with pending pension legislation and due to our revenue needs in the Education Fund it would be advisable to capture all of the funds we have access to (i.e., Education = \$2.95/\$100 EAV (maximum limit)).

That being the case, the Board did authorize a Truth in Taxation hearing for the December 14, 2016 meeting. The Truth in Taxation is required if the current year’s levy request (excluding bond and interest) is more than 5% over the prior year’s extension. A notice was published in the Dixon Telegraph on Friday, December 2, 2016. A public hearing must be held where the District explains the reasons for the levy and any increases and then must permit anyone wishing to speak the opportunity to do so. Keep in mind that we will “Never get more than you are entitled to,” but will merely ensure that we don’t underestimate the District’s EAV.

Life Safety Bonds – Back on June 1, 2016 the District closed on the bonds to correct the 10 Year Health/Life Safety violations at Reagan, Madison, Jefferson and Washington. The \$2,300,000 bond sale was wrapped around the District’s existing debt where there were no principal payments until 2021 and extended out to 2028. The projects completed with those bond proceeds over this past summer were: roof work at Jefferson (the roofs replaced were vintage 1996 & 1999) and Madison (the roofs replaced were 1985 & 1995), electrical work at Jefferson, masonry/tuck pointing at Jefferson and Washington and concrete work at the exits at Washington. Further work at those buildings will continue in order to correct all of the identified A & B violations.

The District is now left with \$22.6 M worth of A & B Health/Life Safety violations identified for Dixon High School. The Lee/Ogle/Whiteside Regional Office of Education allowed us to put any life safety funding decisions on hold until a final decision was made on the building’s future use. Since we know that we will remain in the building for the immediate future we need to begin the necessary repairs to meet the five year deadline. In order to sell the General Obligation School Bonds to make those corrections, there is a somewhat aggressive schedule in order to provide the documents in the county clerks in advance of the 2016 levy extension. In order to move forward we

have been working with the District's municipal advisor, Speer Financial, and bond counsel, Chapman and Cutler, in order to begin the process. We are looking at publishing the Bond Issue Notification Act Notice after December 19th and prior to January 11, 2017 in order to have the required BINA Hearing on January 18th. This schedule will allow for a bond sale on February 15th and a closing on February 27th. This timeline allows us to get the required documents to the county clerks, and begin the process of bringing the high school into compliance. This will also allow us to begin the design work needed to bid those projects that can be completed in 2017 at DHS and remaining work at Reagan/Madison, Washington and Jefferson.

State of Illinois FY 17 Budget – The Governor and the General Assembly leaders continue to meet and discuss the remainder of the FY 17 Budget, but there is little evidence that they are nearing any type of agreement. Since his election Governor Bruce Rauner has advocated passing his pro-business, “Turn-Around Agenda” which has numerous items that a number of Democrats, who are in the majority in both chambers, haven't been willing to endorse.

Last month the governor insisted on workers compensation reform and term limits in order to get his support on the remainder of the budget that wasn't signed off on previously. This month he stated that term limits and a property tax freeze are the must haves. Democratic leaders have contended that the governor should drop his demands and focus only on a state budget without pre-conditions and deal with the other matters at a later time. All the while the state is more than five months behind in paying its vendors, and every month the state is increasing its more than \$5 billion deficit because spending for government employees and crucial services like Medicaid are automatic payments.

Although the K-12 Education General State Aid funding has already been addressed there is concern about the mandated categorical payments. Dixon USD #170 is still owed \$209,397 for FY 16 Special Education: Private Facility Tuition, Funding for Children Requiring Sp. Ed. Services and Personnel payments and \$261,644 for Transportation: Reg./Voc. and Special Education payments according to the Illinois State Board of Education's Financial Reimbursement Information System (FRIS).

Our FY 17 GSA payments have been as promised (\$205,765.12 twice per month) and arrive in timely fashion. On the other hand, as of December 7, 2016 we have yet to receive any FY 17 payments for Special Education: Private Facility Tuition, Funding for Children Requiring Sp. Ed. Services and Personnel or for Transportation: Reg./Voc. and Special Education. FRIS status shows that the first payment has been disbursed, but not yet processed by the Comptroller's Office. Unfortunately K-12 schools throughout the state are also in the queue like a lot of other vendors waiting for payment.

State of Illinois - Property Tax Freeze – To date Dixon USD#170 has never been subjected to “tax caps” even though Lee County passed the Property Tax Extension Limitation Law (PTELL). This is because our boundaries extend into Ogle County which has never put the matter before the voters. If Ogle County were to vote on PTELL our District would be subject to the legislation regardless of the outcome since the majority of the District is in Lee County which acted on the legislation a number of years ago. Districts under PTELL are able to increase their levy by CPI or 5% whichever is less.

As troublesome as “tax caps” could be, it is far and away better than a “permanent property tax freeze” which has been and continues to be considered by the governor and some legislators where a governmental body may not be able to exceed their previous year’s total rate for any reason.

Diane Rado, of the Chicago Tribune, wrote the following in her December 2, 2016 column “Local Taxpayers Pick Up a Greater Share of School District Funding:”

“Local taxes and school fees now make up 67.4 percent of revenue for districts statewide — the highest percentage in at least 15 years, according to the most recent state finance data. The state contributes 24.9 percent — one of the lowest shares in the country — and the federal government 7.7 percent. The local portion for education has slowly climbed since 2001, when local dollars covered, on average, 61.9 percent of K-12 public school expenses in Illinois.

A confluence of factors affects the figures, including rising and falling levels of state aid. Some school administrators say local tax dollars are making up for what they say is a lack of funding from the state. At the same time, some districts are leaning on local taxpayers to make a steeper investment in education.”

Eric Zorn, also of the Chicago Tribune, wrote the following in his December 5, 2016 column “Rauner’s Demands Test the Limits of Reason:”

“Rauner's other precondition for negotiating a stopgap budget is that the Democrats agree to a ‘permanent property-tax freeze,’ . . . I know property taxes are unpopular. They're already high in Illinois and no one wants to pay more. But handcuffing the smaller units of government that levy and collect property taxes would centralize power in Springfield and drastically limit the ability of localities to respond to emerging demands in their areas. ‘Permanent’ suggests a level of foresight that no demographer or economist has.”

I once asked former State Representative Myron Olson why there couldn’t be some sort of shift away from property taxes for local governmental bodies to alternate sources of revenue. He told me, “The great thing about property taxes is they are predictable and constant. Other sources of revenue fluctuate.” There is nothing about a property tax freeze, whether temporary or permanent, that could be beneficial for school districts such as ours without a reliable funding alternative. With the State of Illinois’ current financial situation and considering the way it has funded schools in the past it is hard to believe that there is any reliable replacement of revenues out there.