

October 1, 2007

## **EDUCATION ROUNDTABLE RESPONDS TO GOVERNOR'S VETO OF HB 644, PERMANENTLY EXTENDING "7% SOLUTION" FOR COOK COUNTY**



*The Illinois Education Roundtable is an organization committed to unifying the voice of educational organizations and consists of representatives from 17 school leadership associations and organizations representing more than 6000 school board members, over 7000 school leaders and in excess of 230,000 teachers and other school personnel.*

On September 20, Gov. Rod Blagojevich issued an amendatory veto of HB 664, a move that would permanently extend the 7 percent cap on equalized assessed value, or taxable value, for residential property in Cook County. The veto would also result in an increase to the homeowner exemption from \$20,000 to \$40,000.

The Illinois Education Roundtable calls upon the General Assembly to override the Governor's veto of HB 664. Permanently extending the 7 percent cap will create a financial crisis for many Cook County school districts. Our students and our school communities simply cannot afford it.

The 7 percent assessment cap was intended to be a temporary measure to address rising property values in Cook County. The version of the legislation passed by the General Assembly was generous to Illinois homeowners, allowing a three-year extension of the cap and providing several new and expanded homeowner exemptions.

By amending the limited extension into a permanent cap on property taxes, the Governor dramatically changed the intent of the legislation. In March 2007, the Civic Federation released a report supporting the three-year extension and \$20,000 exemption, stating "the purpose of the 7 percent cap was to provide a 'shock absorber' for escalating home values, not to create absolute reductions in residential taxes."

Due to legislation enacted in the mid-1990s, districts are already limited in the amount that they can collect from local property taxes. By lowering the taxable value of property in Cook County, some school districts will continue to lose critical tax revenues. The decreased EAV will also affect a district's ability to borrow funds to pay for capital needs. Additionally, the shift in taxes from residential to commercial property will make it increasingly difficult to attract new businesses into Cook County, which is critical to support a district's tax revenue growth.

Based upon this analysis, we assume that while the three-year extension would have been challenging for some districts, a permanent cap will be financially damaging to many school districts in Cook County. A district that loses tax base from the assessment cap will either see tax rates increase or not be able to maintain their levy or provide the same level of service. As the cost of mandated programs, teacher salaries, and healthcare continues to rise, districts will be forced to attempt to do more with less.

Illinois Education Roundtable Member Organizations:

IASB, IASA, IASBO, IPA, IEA-NEA, LUDA, ED-RED, LEND, SCOPE, IFT-AFT, IAASE, IARSS, EDO, HSDO, INSPRA, IASPA, MPC

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Cook County recently completed one full assessment cycle under the 2004 version of the 7 percent cap. After researching the overall impact of the legislation, academic, civic, and government groups were unable to agree on the “winners” and “losers.” For example, Cook County Assessor James Houlihan reported that nearly 80 percent of Chicago homeowners received a lower tax bill in the 2003 tax year. However, a study commissioned by the Illinois Department of Revenue found that 52 percent of Chicago residences received higher tax bills in 2003 and shifted \$128 million to those residents and commercial properties not subject to the 7% cap. Due to the limited understanding of its ramifications, we believe the legislation requires additional analysis before it is made permanent.

In addition to Illinois Education Roundtable member organizations, the Chicagoland Chamber of Commerce, the Building Owners and Managers Association of Chicago, and the Chicago Real Estate Alliance strongly oppose the Governor’s action.

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