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Voter-Initiated Referenda to Reduce Property Taxes

A provision within the recently passed school funding legislation (SB1947, enacted as Public Act 100-465) allows voter-initiated referenda to reduce property taxes for certain school districts in Illinois. The threshold for districts to be subject to such a possible referendum is 110% of the district's adequacy target for local taxing capacity, as determined under the State Aid formula, in the school year preceding the year in which the reduction in the levy is sought. *"Adequate funding"* or *"adequacy"* refers to what it costs for a school district to provide the evidence-based practices that drive student achievement. The referendum may only be held at a consolidated election, the one held in April of odd-numbered years when school board candidates are on the ballot.

This rather complicated new law is best explained with an example. Since the next consolidated election is in April 2019, we'll use the 2018 and 2019 levies and the 2018-2019 school year for illustrative purposes only. Thus, under the new law, if

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District A's adequacy target exceeded 110% for the 2018-2019 school year, then the voters in District A could file a petition with their election authority (*i.e.*, the County Clerk, or the Election Commission where that agency exists) for a referendum seeking to reduce District A's tax levy in 2019. A referendum would be put on the ballot on the next consolidated election, but only if more than 10% of the voters in the school district signed the petition. The referendum question would ask voters whether they wish to reduce the educational fund tax levy extension for 2019 to an amount less than that extension in 2018. However, the proposed lower amount for 2019 that would be stated in the referendum cannot be more than 10% lower than the 2018 educational extension *and* the 2019 extension amount cannot be in an amount that would cause the district's adequacy target to fall below 110%. For example, if the 2018 adequacy target is 122%, the lowest the 2019 adequacy target could be after a successful referendum reducing the tax levy is 112%. On the other hand, if the 2018 adequacy target is 117%, the lowest the 2019 adequacy target could be after a successful referendum reducing the tax levy is 110%.

Although the concept is complicated, the law mandates that the

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following simple question be put forth to the voters:

"Shall the amount extended for educational purposes by [School District A] be reduced from [2018's %] to [2019's %] for [2019], but in no event lower than the amount required to maintain an adequacy target of 110%?"

Voters would vote either "yes" or "no" in response to this question and, if a majority of votes cast is in favor of the referendum, then the tax levy would be reduced for 2019. Regardless of the outcome of the referendum, the question cannot be submitted to the voters again at any of the next two consolidated elections. In our example, then, if there were a referendum held in April 2019, the next time there could be a tax reduction referendum would be in April 2025.

Clearly, the impact of this new state law, which is codified at 35 ILCS 200/18-206, could be substantial. School districts with adequacy targets above 110% stand to lose local property tax funding thereby reducing the district's educational fund. To see your district's most current adequacy target (as of May 2017) and whether your district is meeting or exceeding the 110% threshold, go to the link below from the ISBE website, click the

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tab under House Amendment 1 to Senate Bill 1, and look for the number applicable for your district in column 21:

https://www.isbe.net/Pages/Education-Funding-Proposals.aspx.

If you have questions about these topics, please contact one of our attorneys in Oak Brook (630.928.1200) or Flossmoor (708.799.6766).