



Alan J. Dunstan, County Board Chairman

Madison County Property Tax Reform Committee

A Review of Issues Related to Property Tax Reform in the
State of Illinois

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Abstract

In 2007, Madison County Board Chairman Alan J. Dunstan announced the formation of a Property Tax Reform Committee to examine the property taxation system and issues associated with rising property taxes in Madison County.

Over the past several years there has been a strong public outcry to steep increases in property taxes. Local officials have become increasingly concerned about public concern and the need to address this problem.

A diverse group of citizens were called upon to study the issue and to make recommendations. The group included representatives of business, labor, education, local government, community organizations and general citizenry.

The Property Tax Reform Committee met numerous times to examine the problem and brought in various experts to discuss issues such as education funding, state finance reform and economic development incentives. It solicited public comment from citizens and taxing districts. The report was also presented to area legislators and state property tax reform organizations. The result was a careful examination of the issues related to rising property taxes. This report represents the findings of the Property Tax Reform Committee.

The report has been used over the past several years as a resource for citizens concerned with rising property taxes. It has been shared with state and local officials. In 2016, the report was updated to incorporate more recent data and property tax trends.

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Executive Summary

The following recommendations are hi-lighted as part of this property tax reform report. A more expansive list of recommendations is found in the Summary and Recommendations section of the report found on page 35:

AMENDMENT TO THE STATE CONSTITUTION

Legislation shall be drafted in cooperation with the local state legislative delegation that will amend the existing State Constitution by voter referendum. The amendment must provide an equitable way to generate a proper level of education funding that would result in a fair balance between local and state taxes. The amendment must also lessen the existing burden on property taxes and establish a structure that assures any property tax reduction is sustained. Voters should be educated on the amendment including its purpose, the true impact of any tax increase and tax shift in terms of costs, and the benefits.

LOCAL CONTROL OF PROPERTY TAXES

Local taxing bodies must recognize high property tax bills are a major concern and should adopt spending and taxing policies that recognizes the expectation of taxpayers to provide acceptable level of services while minimizing property tax increases; and

- The public must have a realistic understanding that if it demands lower taxes, that its service expectations should also be realistic. A taxing district is required to provide an acceptable level of service to the public. It also must work within the restraints of what it can afford. The old adage of wanting “Cadillac” services on a “Chevrolet” budget does not work. Public officials and the general public must seek a balance between the two;
- Rather than increasing tax levies substantially when assessments sharply rise, or new development is added to the tax roll, taxing districts should balance this increased valuation with a rollback of the tax rate to minimize the impact on taxpayers; and
- Local government spending should be controlled. Where possible, services should be streamlined through cost reductions, consolidations, the sharing of services through intergovernmental agreements and participation in consortiums where resources are pooled to reduce costs. To promote this collaboration, legislation should be developed that establishes requirements and incentives for local governments to engage in these types of arrangements.

PUBLIC EDUCATION

Taxpayers must be better informed and play a larger role in the taxation process. Participating in taxation hearings and interaction with public officials will only enhance communications and assure voices are heard and concerns represented; and

- The public must be better informed and participate in the taxation process. For example, understanding the taxing district’s budget process and attending public meetings when budgets are presented may be effective in voicing concerns about spending. This is when spending for the next year is determined and what ultimately affects the amount of taxes collected;

- Assessment notices should provide information including the tax impact of a rising assessment, schedules for taxing district's budget and tax levy ordinances, and more detailed information on how to appeal the assessments. In addition, notices should emphasize the true market value of property and de-emphasize assessed value – which confuses taxpayers;
- Legislation should be enacted requiring truth in taxation notices be mailed directly by taxing districts to property tax payers. While it is acknowledged taxing districts will incur costs for mailing notices, it is believed sending notices will result in better public communication and will provide benefit to the taxation process;
- Tax bills should be reformatted to indicate it is really a series of individual bills from taxing districts. It should be expanded to include the percentage increase in the tax bill from the previous year, a multi-year average, and contact information for individual taxing districts; and
- Create a “taxpayers” web site that acts as a destination for information. Information should include a comprehensive listing including how the property taxation system works, how to protest assessments, who to complain about taxes, and current and historical information on taxing district's budgets and tax levies.

LOCAL ASSESSMENT PRACTICES

To assure the property assessment system is equitable, properties must be properly assessed; and

- Neighborhoods with lagging assessments are corrected to minimize the overall effects of multipliers on other properties that are correctly assessed;
- An annual review of township assessments should occur and if inequities are found, the county assessor's office should be required to step in and make corrections to assure uniformity within the township. In these instances, the County Assessor will equalize assessments by neighborhood. These corrections will help regulate township multipliers that can be skewed because of under assessed properties selling at significant higher values;
- Continuing education for personnel in local assessment offices should be supported. Local assessment officials, both elected and employed, should be encouraged to become Certified Illinois Assessment Officials and maintain the required annual continuing education requirements; and
- Either as part of a state constitutional convention or some other effort, the entire property taxation system should be reviewed and overhauled to provide a more fair and equitable system. Consideration should be given to allowing properties to be reassessed annually instead of every four years to eliminate inequities in assessments; the consolidation of local assessment responsibility under the county assessor to assure standardized assessment practices; and the elimination of some property exemptions if other problems in the taxation system are properly addressed.

Identification of Issues

The property tax is the largest single tax in the State of Illinois. It is also the largest source of revenue for most units of local government including school districts, which represent the largest portion of a tax bill. The taxes are used to pay for the wide-ranging services the taxing districts provide. In Madison County, there are more than 150 taxing districts including school districts, community college districts, municipalities, townships, fire protection districts, sanitation districts, park districts and library districts. All have the authority to levy taxes against property and those levies are reflected on the property tax bill.

Over the past several years, taxes paid by property owners have greatly escalated. Taxing districts have increased tax collections not exclusively because of rising inflationary costs, but because of a multiplicity of other reasons. Rising property values and new construction being added to the tax roll has significantly contributed to these increased tax collections. A review of taxes collected by taxing bodies over a 10-year period from 1997 to 2006 revealed property tax collections increased more than 80%, or in excess of eight percent per year. Over the past ten year period, through 2015, tax collections increased at a more modest 4.2% annual increase per year. The recent trend included years from the housing downturn, which impacted taxing body's ability to levy taxes. Taxpayers have become increasingly concerned about this rate of taxes increasing and continue to complain to local officials, particularly when assessment notices or tax bills are received.

The process followed by taxing districts and those responsible for the administration of the property taxation system is complex. The three major drivers that impact local taxing districts decisions are desired level of service, spending requirements and the revenue potential. These drivers are inter-related. A taxing district essentially determines how much money they need to operate in the next fiscal year following an identification of needs and an extensive budgetary process where revenues and expenditures are estimated. As part of this process, it determines how much revenue will be derived from the property tax (referred to as the tax levy). Once known and after authorized by the respective board of the taxing body, the tax levy request ordinance is filed with the County Clerk who then calculates the final tax rate needed to realize the requested amount. The rate, when applied to the equalized assessed value for the property, is what appears on a property owner's tax bill. When property owners pay their taxes to the County Treasurer, the funds are separated and sent to the requesting taxing district. These funds are then combined with other sources of revenue to pay for the operations and services of the taxing district during the next fiscal year. Since property taxes are the largest source of revenue for most districts, the establishment of the levy is critical part of the budgetary process.

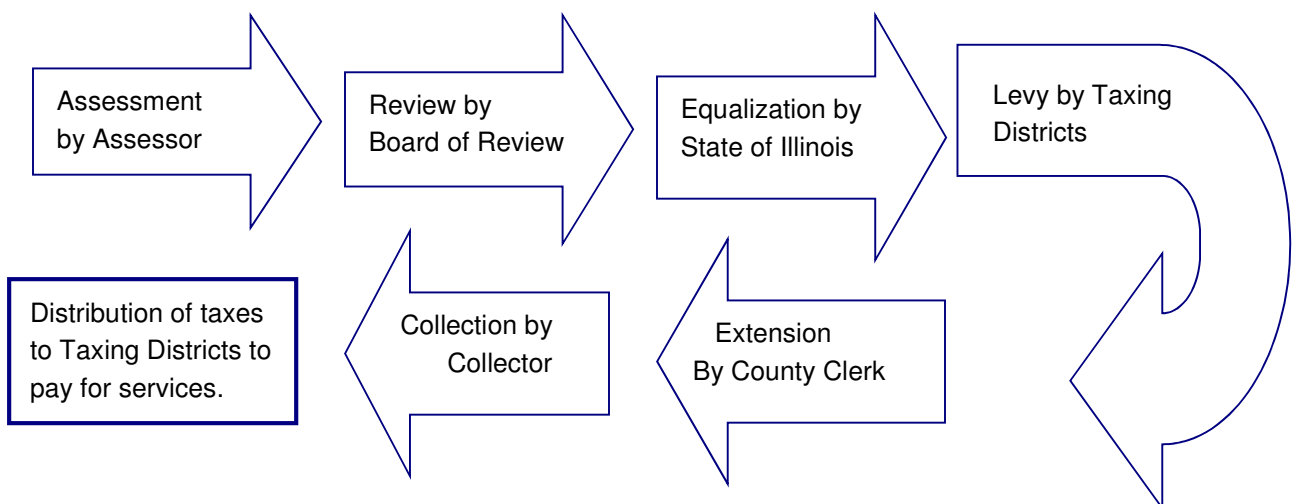
The property taxation system itself is the actual translation of how taxes requested by the taxing bodies are funneled down to the tax payer in the form of a property tax bill. The assessment process, the tax levy and the tax rate are all intertwined. A property tax cycle is described in greater detail in the following section.

The Property Tax Reform Committee examined the problem of escalating property tax bills and identified some of the causes and reasons that have affected it. The report provides a discussion of some of the issues to better explain and to assess the impact on local government and the subsequent reliance on property taxes. While several recommendations are made, some specific and some general in nature, it is the hope of the Property Tax Reform Committee that the content of the report will better educate public officials and members of the public on issues related to property tax reform. The engagement of these parties will result in further efforts to develop better policies, laws, and actions that improve the fairness of the property taxation system.

The Property Tax Cycle

The property taxation system in the State of Illinois sets forth the process and mechanics of how property taxes are determined and ultimately collected. Illinois law requires property to be assessed at 33 1/3% of its value. The assessment process to determine the value begins in the current year and concludes the following year when taxes are collected and distributed to taxing bodies. In essence, there is a one-year lag between assessment and when taxes are collected. Property taxes collected in 2016, for example, are based on the 2015 value of property. The components of the Property Tax Cycle, as described by the Illinois Department of Revenue, are as follows:

- **Assessment** – All property is discovered, listed, and appraised so that values for property tax purposes can be determined. Local assessing officials determine most property values. The chief county assessment officer ensures that assessment levels are uniform and at the legal assessment level by applying a uniform percentage increase or decrease to all assessments in the jurisdiction (i.e., assessments are “equalized”).
- **Review** of assessment decisions – the boards of review determine whether local assessing officials have calculated assessed values correctly, equalize assessments within the county, and assess any property that was omitted. Property owners and local taxing districts may appeal unfair assessments to their local county boards of review and, if the owner is dissatisfied with the board’s decision, the State Property Tax Appeal Board or circuit court.
- **Equalization** – The Illinois Department of Revenue equalizes assessments among counties and issues a state equalization factor for each county (to assure assessments are uniformed across the state).
- **Levy** – Individual Taxing Districts determine the amount of revenues that they need to raise from property taxes, hold any required public Truth-in-Taxation hearings, and certify levies to the county clerk.
- **Extension** - The county clerk applies the state equalization factor, calculates the tax rate needed to produce the amount of revenues each taxing district may levy legally, and apportions the levy among the properties in a taxing district according to their equalized assessed values so that tax bills can be computed.
- **Collection and Distribution** - The county collector prepares tax bills, receives property tax payments from property owners, distributes taxes to the local government taxing districts that levied them, and administers sales of liens on real estate parcels due to nonpayment of taxes.



Rising Taxing District Levies and Tax Rates

Rising taxing district levies result in higher taxes paid by property owners. When a district establishes its annual tax levy, a rate is calculated based on the final total assessments within the district to generate the amount of money requested by the district. A property owner's tax bill is based on a calculation of this tax rate against the assessed value of the property. Since property assessments typically rise from year to year, the base of which the tax rate is applied also rises resulting in the opportunity for taxing districts to capture more funding which is typically done through higher levy requests.

Issues:

- The overall trend of rising property taxes paid by property owners over the past several years is attributed to the high average levy increases adopted by taxing districts. As demonstrated in a historical analysis of assessment and levy trends, there is a correlation between escalating property assessments and tax collections since taxing districts are permitted to apply up to its maximum tax rate (allowed by law) against the increased total assessment value within its boundaries. As property values have sharply escalated, so have tax collections.
- Some taxing districts have adopted an “attitude” that it must capture the maximum amount of its statutory tax rate that can possibly be obtained. This has been labeled as “chasing the rate.” In these cases, when the assessment of a piece of property rises due to the annual multiplier or a quadrennial reassessment, then the amount of taxes paid to the district also rises;
 - Reasons given by taxing districts for maintaining near the maximum tax rate: lack of other revenue sources, rising costs and in some communities costs related to growth; and
 - Reasons given by school districts for maintaining near the maximum tax rate: special education and other unfunded mandates, the lack of other viable revenue sources including an inadequate state “foundation” level funding, state aid formula deficiencies and increased costs in growth districts.
- Some taxing districts do not pursue maximization of the tax rate. When property assessments rise, the tax rate will be “rolled-back” through the levy process to produce the same level of funding received before reassessment (usually with an adjustment for inflationary increases).
- Municipalities and county government rely on the general corporate property tax rate to pay for municipal services, primarily public safety service such as police, fire, and ambulance. The county has the increased responsibility for funding the criminal justice system for all municipalities. These services are supported by the general corporate tax rate, which is limited to 0.25% of assessed valuation. Municipalities and the county rely heavily on this tax source to preserve these services, particularly during times of economic downturns when other revenue is impacted by the economy.
- Taxing Districts who maintain tax rates below the maximum rate rely on other revenue sources such as state intergovernmental revenue and fees to pay for annual increases in the cost of services. In times of an economic downturn, when state intergovernmental revenue, such as personal property replacement tax, sales tax, or income tax, are greatly impacted by

the economic downturn, a taxing district has the ability to increase its general corporate tax rate up to the maximum to make up for lost state revenue. This minimizes the impact of the economic downturn on revenue and services.

- Because final assessments are not known at the time a taxing district establishes their levy, projections are used to estimate the total amount of funds that can be obtained under the maximum tax rate;
 - This projection helps determine whether a truth in taxation hearing is required; and
 - In some cases, taxing districts that wish to maintain the maximum rate will “hedge” their levy request, asking for more funds than they need to operate to assure no funds are lost in the case of the final assessments being higher than the projections.
- Property assessments in Madison County and the use of state and township multipliers attempt to establish fair and uniform values for properties:
 - In some neighborhoods, however, there can be a lag between assessments and market values due to quadrennial reassessments (every four years) and local assessor practices; and
 - This creates an imbalance and results in the areas properly assessed paying a disproportionate share of taxes over the under assessed properties; and
 - This problem is exacerbated when multipliers are calculated and assessed uniformly against all properties in a township. The formula utilized for determining multipliers examines sales data and when an unusually high number of under assessed properties are selling higher than assessment, the multiplier is adjusted upward to attempt to close this gap. Properties that are properly assessed at market value are penalized and in some cases the actual assessment rises above market value.
 - There is often confusion by taxpayers regarding how property assessments are derived. Generally, the assessor has to determine what the fair market value of a property was on January 1st. The process of determining this is complex and to an extent, subjective. Fair market value is not just determined by recent sales of similar properties, but also based on a state prescribed formula that factor in physical features such as type of construction, square footage, number of bedrooms, age of structure, etc. Formulas and indexes are annually revised to attempt to reflect true market value. Taxpayers often have a difficult time understanding the methodology used; and
 - The appeals process through the Board of Review or the state Property Tax Appeals Board is to be used to make any corrections to the final assessments. Property owners may present evidence supporting any errors or sales data to lower assessments. While a large number of property owners will utilize the appeals process to correct assessments, most residents do not and rely on the assessments made by the local assessor.
- Assessments and multipliers do not directly raise property taxes. Assessments and multipliers have, however, an indirect impact on rising property taxes because individual taxing districts set its annual levy to capture some or all of potential revenue as the result of

increased assessments. Historical trends have demonstrated that taxing districts levy more taxes when assessments rise.

- Prior to the housing recession that impacted the area after the Great Recession of 2007, selling prices and assessed values rose faster than inflation. In recent years, property values were stagnant providing some level of property tax relief for property tax payers.
- As previously mentioned, prior to the housing recession that impacted the area, selling prices and assessed values rose faster than inflation. As the real estate market recovers, it is possible that the pre-recession trends will resume.
 - The positive real estate market in these years resulted in state equalization and township equalization increases that typically exceed inflation indexes such as the consumer price index (CPI);
 - If the taxing district would only increase its levy amount near the CPI level, which has averaged in the two percent range, then tax rates would drop and the sharp rise in assessment would be offset by a drop in the tax rate with the net amount of new taxes being paid more closely aligned to the CPI level;
 - As previously explained, in many cases this doesn't occur and the taxing district will levy the maximum amount available and maintain the maximum tax rate. For example, a 10% increase in total assessed value would result in 10% more taxes being paid by taxpayers. Not all of this would be attributed to existing property tax payers. A portion of it would be taxes paid by new property being added to the tax rolls for the first time, i.e. a new single family home that was completed in the prior tax year;
 - Because the state utilizes three years of sales data to establish its county equalization, sharp increases in one-year will be averaged to lessen the impact. Likewise, in a slow housing market, a drop in assessment will also be averaged; and
 - As previously cited, taxing districts have a tendency to levy more taxes when assessments are rising. As was found in the recent housing recession, when property values stagnated, or dropped, during the slowing economy, tax collections also declined. This may not be the case for some taxing districts. Tax rates for districts that are not at its maximum rate could increase to the level necessary to generate the same levy request, regardless of the slowdown in property assessments.
- Exemptions permitted by state law have an impact on property taxes. These exemptions, while intended as tax relief, actually can have an eroding effect on tax bases and spreads the tax burden to others:
 - Some of the exemptions include the general homestead exemption for homeowners, a special homestead exemption for senior citizens, a special exemption for disabled veterans, and an exemption for homestead improvements that increase market value and preferential treatment for farm land that has a high market value in relation to productivity. In 2015, total exemptions, \$679 million in Assessed Valuation, represented twelve percent (12%) of the total tax base; and
 - One change in exemption status in the State of Illinois was the expansion of the exemption for disabled veterans. In 2015 the exemption was expanded to increase

the amount of exemption based on the level of disability a qualifying veteran has. This exemption ranges from 30% to 70% or more. The amount of exemption ranges from \$2,500 in property taxes paid to 100% of the tax bill. In 2015, the Disabled Veterans Exemption increased from \$2.9 million to \$32.4 million in assessed valuation. The total property tax payments that were abated were \$2.4 million. This is the amount of the tax burden that was spread amongst other property tax payers; and

- Tax Increment Finance (TIF) Districts capture a portion of property tax revenue, which results in spreading the tax burden to other property owners (until such time the TIF District expires). In 2015, \$273,261,862 in TIF valuation was recorded. The total property tax payments that were distributed to TIF Funds were approximately \$20,000,000.
- Commercial and industrial reassessments have had a significant impact on tax rates and taxing district revenues. In some cases, heavy industrial properties appeal assessments by arguing against increases in assessed value even after it has invested significantly in constructing or upgrading the property. When successful, taxing bodies see a sharp decrease in revenue and are forced to either raise taxes on other properties, or face cutbacks in spending.

Historical Analysis of Assessment and Tax Levies

To support the finding that property taxes have significantly risen over the past many years, a historical analysis is provided to show increasing property assessments as well as taxing district's levies. The years that were part of the housing downturn following the Great Recession of 2007 are hi-lighted.

COUNTY-WIDE ASSESSMENT HISTORY 1996 TO 2015					
YEAR	VALUATION	INC	YEAR	VALUATION	INC
1996	\$ 2,179,847,503	5.0%	2006	\$ 4,079,485,248	9.2%
1997	\$ 2,236,427,123	2.6%	2007	\$ 4,425,994,172	8.5%
1998	\$ 2,359,690,992	5.5%	2008	\$ 4,595,832,313	3.8%
1999	\$ 2,483,431,278	5.2%	2009	\$ 4,639,615,167	1.0%
2000	\$ 2,613,572,843	5.2%	2010	\$ 4,613,198,983	-0.6%
2001	\$ 2,793,301,810	6.9%	2011	\$ 4,867,365,676	5.5%
2002	\$ 3,007,064,358	7.7%	2012	\$ 4,825,519,196	-0.9%
2003	\$ 3,263,347,754	8.5%	2013	\$ 4,753,708,139	-1.5%
2004	\$ 3,398,750,536	4.1%	2014	\$ 4,667,275,859	-1.8%
2005	\$ 3,736,826,248	9.9%	2015	\$ 4,725,900,970	1.3%

TAXES LEVIED BY TAXING DISTRICTS HISTORY 1996 TO 2015					
YEAR	TAXES LEVIED	INC	YEAR	TAXES LEVIED	INC
1996	\$ 163,606,328	7.3%	2006	\$ 306,798,123	7.9%
1997	\$ 168,560,675	3.0%	2007	\$ 334,226,186	8.9%
1998	\$ 178,800,485	6.1%	2008	\$ 344,159,136	3.0%
1999	\$ 188,469,762	5.4%	2009	\$ 353,032,627	2.6%
2000	\$ 197,659,422	4.9%	2010	\$ 362,639,530	2.7%
2001	\$ 214,027,773	8.3%	2011	\$ 377,750,197	4.2%
2002	\$ 228,293,926	6.7%	2012	\$ 380,680,842	0.8%
2003	\$ 248,852,079	8.8%	2013	\$ 384,814,541	1.1%
2004	\$ 262,852,079	5.9%	2014	\$ 386,615,822	0.5%
2005	\$ 284,256,705	8.1%	2015	\$ 404,931,117	4.7%

Heavy Reliance on Property Taxes by Taxing Districts

Taxing districts rely on a variety of revenue sources to make up the amount of funding necessary to operate. While some taxing districts have the authority to generate revenue from multiple sources, most are restricted by their non-home rule status and can only access revenues as determined by the Illinois General Assembly. All depend on the property tax as its principal revenue source.

State law sets forth maximum property tax rates that may be established by taxing districts. Districts may levy property taxes up to this maximum rate. Other sources of revenue often are dictated by state legislation such as revenue sharing (sales tax, income tax, motor fuel tax, etc.) and direct state aid such as education funding.

There are great disparities between taxing districts. Some taxing districts are given the authority to receive significant non-property tax revenues while other types are limited and forced to rely much heavier on property taxes to operate. In any case, the property tax is a major revenue source for all taxing districts.

Issues:

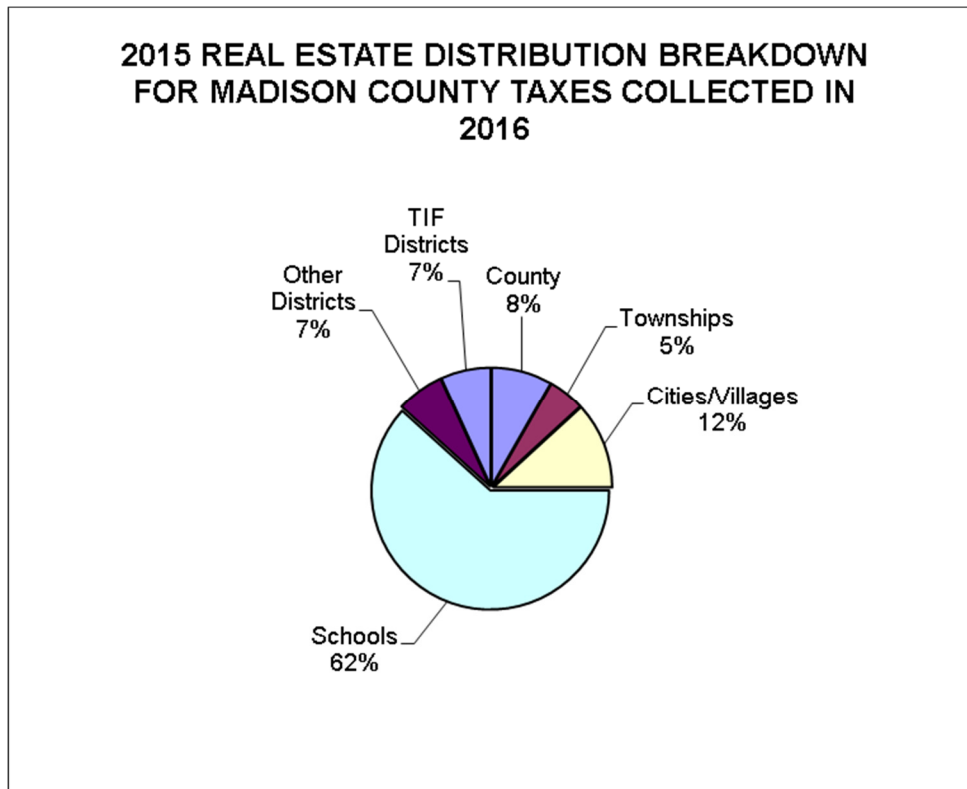
- Prior to the Great Recession in 2007, a 10-year analysis of taxing districts revealed those largely dependent on property taxes as their funding source have annual average levy increases in excess of 10%. The pre-10-year average for combined taxing districts was 8.8%. Over the past ten years, including the years after the Great Recession when housing values stagnated and taxing districts had little or no growth in Assessed Valuation, the tax levy increases have significantly moderated with a 4.2% average increase for combined taxing districts (as illustrated on the charts found on page 15). Those taxing districts with other significant revenue sources have lower average annual levy increases over both periods. The variation in reliance on property taxes by taxing districts is further explained:
 - Since 2012, Madison County Government has actually lowered property taxes by 0.2%. School Districts, which relies heavily on property taxes saw an increase of 2.3%. Municipalities rose a modest 1.2%.
 - Many tax districts, such as library and fire protection districts, rely nearly 100% on revenue generated by property taxes;
 - Education funding is heavily reliant on property taxes. It does receive a significant amount of funding from the state and federal government but this aid has been declining, placing a larger burden on the property tax to fund education;
 - Municipalities and the county have other revenue sources and rely less on property taxes. Sales taxes, user fees and state intergovernmental revenue (income tax/replacement tax/motor fuel tax, etc.) make up significant parts of the revenue base for these units of government;
 - Municipalities with a large sales tax base rely less on property taxes than those with small retail sales tax bases;
 - Despite having other revenue sources, municipalities and the county rely on its general corporate property tax to provide public safety funding for police,

fire, and ambulance service. The county general corporate rate also funds the criminal justice system for municipalities. Without this revenue source, these services would be impacted. The public strongly supports public safety programs in communities and expects the community to respond so preserving the ability to fund these services depend on the general corporate property tax.

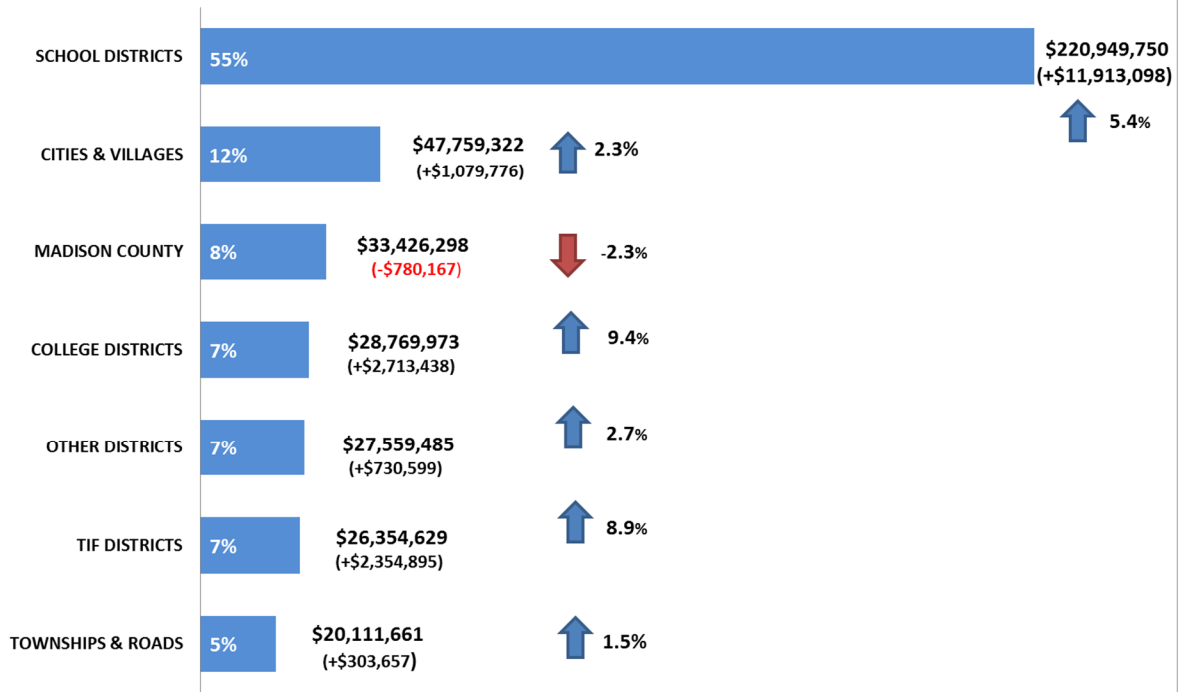
- Some communities that are growing residentially, but not commercially, have increased financial stress due to the need to expand services (police, infrastructure, etc.) for these residents with limited non-property tax revenue to support it (such as sales tax) ;
- Some of the non-property tax revenue sources relied upon by taxing districts do not grow with inflation. This lack of elasticity creates revenue voids and often the property tax (which can rise due to increasing property assessments) is utilized to make up for the deficit;
- Some revenue sources are impacted by the national economy. For example, in strong economic times there is a rise in wages and spending resulting in higher sales and income taxes collected. Likewise, in slower times, these revenues decline. When this happens, taxing districts are forced to cut back or replace the revenue from other sources, such as the property tax; and
- The fact that a taxing district levies a high percentage levy increase does not necessarily mean their spending is increasing at this rate. As mentioned in the previous points, if other non-property tax sources of revenue are flat, or reduced, then the taxing district often will may make up for this deficit through its property tax levy.

Property Taxes by Taxing Bodies

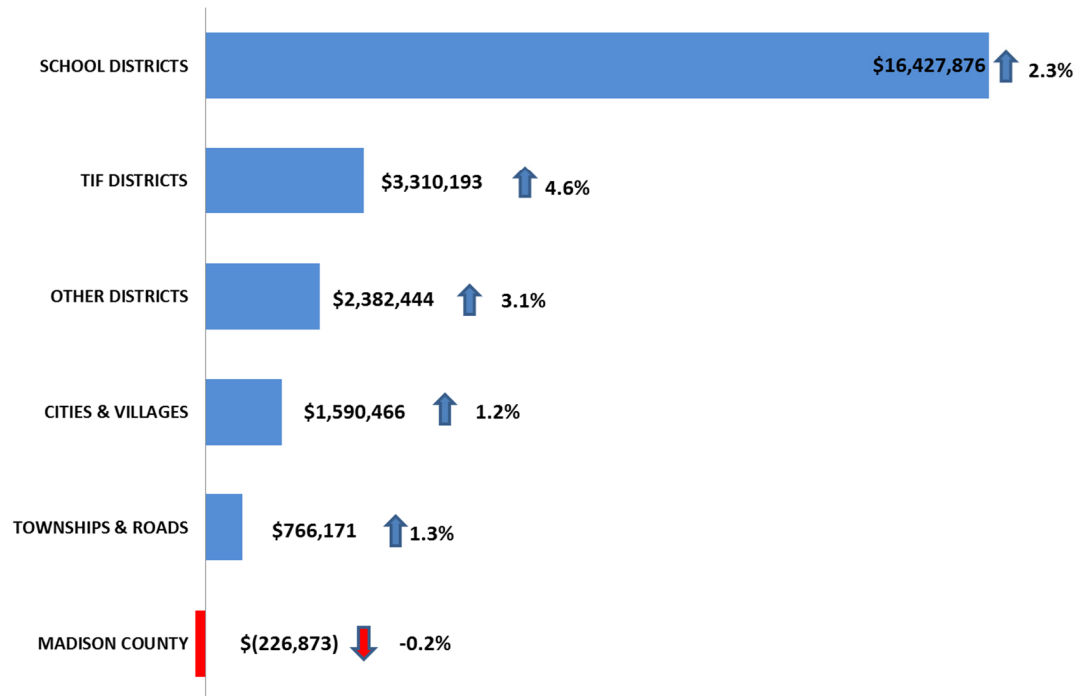
Taxing Bodies are permitted by law to levy property taxes up to the maximum tax rate permitted. Collectively, over \$400 million in property taxes are collected in Madison County. The below series of charts and graphs portray current and historical trends.



2016 PROPERTY TAXES BY DISTRICT TYPE
 % of Tax Bill and Total Taxes Billed to Taxpayers
 (change over 2015)



NEW PROPERTY TAXES SINCE 2012
 (per year average % change)



**MADISON COUNTY
SUMMARY OF TAXES EXTENDED BY DISTRICT TYPE**

DISTRICT	2015	Inc.	2014	Inc.	2013	Inc.	2012	Inc.
MADISON COUNTY	33,426,298	-2.3%	34,206,465	-0.2%	34,271,194	1.8%	33,653,171	0.7%
TOWNSHIPS & ROADS	20,111,661	1.5%	19,808,004	1.4%	19,535,137	1.0%	19,345,490	1.0%
CITIES & VILLAGES	47,759,322	2.3%	46,679,546	-1.4%	47,328,636	2.5%	46,168,856	1.2%
TIF DISTRICTS	26,354,629	9.8%	23,999,734	3.3%	23,241,747	0.9%	23,044,436	-0.6%
SCHOOL DISTRICTS	249,719,723	6.2%	235,093,187	0.0%	235,069,874	0.8%	233,291,847	0.8%
FIRE DISTRICTS	9,827,079	6.4%	9,232,311	5.1%	8,783,768	2.0%	8,613,190	2.4%
PARK DISTRICTS	5,683,187	-2.3%	5,819,587	1.8%	5,716,891	-0.1%	5,724,711	2.2%
SANITARY DISTRICTS	2,739,335	1.8%	2,690,539	5.2%	2,558,081	0.1%	2,555,688	-2.1%
LIBRARY DISTRICTS	8,446,069	2.7%	8,222,876	10.2%	7,464,227	0.2%	7,451,820	-0.3%
MULTI-TWP. DIST	10,253	5.1%	9,760	5.1%	9,283	-0.2%	9,305	5.1%
STREET LIGHT DIST.	28,150	-3.0%	29,035	-4.8%	30,510	-2.0%	31,138	-1.7%
REGIONAL AIRPORT	825,411	0.1%	824,778	2.4%	805,192	1.8%	791,189	1.7%
TOTAL TAXES	404,931,117	4.7%	386,615,822	0.5%	384,814,541	1.1%	380,680,842	0.8%

NEW TAXES SINCE 2012

DISTRICT	TOTAL	Per Year Avg. %
MADISON COUNTY	(226,873)	-0.2%
TOWNSHIPS & ROADS	766,171	1.3%
CITIES & VILLAGES	1,590,466	1.2%
TIF DISTRICTS	3,310,193	4.6%
SCHOOL DISTRICTS	16,427,876	2.3%
FIRE DISTRICTS	1,213,889	4.5%
PARK DISTRICTS	(41,525)	-0.2%
SANITARY DISTRICTS	183,648	2.4%
LIBRARY DISTRICTS	994,249	4.3%
MULTI-TWP. DIST	948	3.3%
STREET LIGHT DIST.	(2,988)	-3.3%
REGIONAL AIRPORT	34,223	1.4%
Total increase	24,250,276	2.1%

Spending by Taxing Districts

Local taxing districts are charged with the responsibility of providing a wide-range of services to citizens. These services include programs related to public school education, community college education, public safety (police, fire and emergency medical), public health, physical infrastructure (streets, water, sewer, etc.), parks, recreation, and library and other basic government services such as the county criminal justice and voter election systems. These services are costly to provide and rely heavily on local and state tax revenue to support. Sources of this revenue typically include local property taxes, state allocation of taxes, grants, user fees and sales taxes. Many local governments find the property tax as a stable source of funding as opposed to other revenues that are impacted by external factors such as the economy. Unlike a business where success may be judged by profitability, governments are driven by service delivery and attempts to financially break even. This often creates a conflict between the desires of officials to deliver a high level of service versus the need to maintain low taxes. Taxing districts will often try to find a balance, but issues exist.

Issues:

- Some have argued that taxing districts do not take adequate measures to control costs because of its capability to fill the revenue “gap” by increasing property taxes:
 - In some cases, how much a taxing district decides to spend is based on how much revenue it is “capable” of generating;
 - In general, many taxing districts follow an approach of adding up what it desires to spend (budget), subtracts revenue from other sources, and then increases property taxes to fill the gap; and
 - Taxing districts are sometimes accused of lacking the political will to contain spending.
- Taxing districts will defend their spending practices as necessary to provide the level of service demanded by residents.
- Taxing districts are restricted in their ability to contain spending due to external forces:
 - Unfunded mandates by the state or federal government;
 - Increased costs related to tort liability and insurance;
 - Rising fuel and energy costs; and
 - Increased employee benefit costs – pension and health benefits, both for current employees and legacy costs for retired employees.
- Taxing districts sometimes do not follow efficient business practices aimed at reducing costs:
 - There is a lack of incentive to do this if revenues are available to support services;
 - Inefficiencies can be found in many programs;
 - While some governments utilize intergovernmental agreements and participate in pools to lower costs, the desire to maintain local control often restricts these

arrangements; and

- Certain taxing districts provide overlapping services which is inefficient. Taxing districts are reluctant to consider consolidating services with other taxing districts.
 - Consolidation of taxing districts is seldom considered. Illinois ranks first in the United States for the number of local taxing districts. Consolidating taxing districts could reduce cost and expand services for residents. In 2015, the State of Illinois published a report by the Task Force on Local Government Consolidation and Unfunded Mandates. A summary of the recommendations of the report is found in Appendix “A.” Streamlining local government services through consolidation isn’t a new idea. It is a difficult process for a number of reasons; and
 - There is a natural resistance by local officials who wish to maintain control over government services.
- Reducing or eliminating services for financial reasons may be unsatisfactory to the community that demands certain levels of service. For example, cutbacks in public safety could result in an increase in crime – something that would be undesirable; and
 - In certain cases, reducing spending creates negative consequences, for example:
 - Reducing spending on programs can be a dilemma, for example, in school districts that are striving to maintain high educational standards. Eliminating personnel could result in higher class sizes that have an impact on learning. Eliminating courses or gifted programs are another example where costs could be reduced at the expense of educational quality. School districts are judged by educational achievement and the quality of programs has a direct impact in this.
 - Costs associated with personnel are a major driver for spending:
 - An issue exists related to collective bargaining disputes with labor unions and public pressure to settle disputes quickly and avoid (or end) strikes; and
 - There is also a desire to maintain a highly-qualified workforce and the need to compensate adequately to compete with the private sector for these individuals or to retain those already employed.
 - Pension costs are a major portion of property taxation. While education employees (teachers and administrators) have their pension costs paid by the state, most local government employees are under the Illinois Municipal Retirement Fund (IMRF). Because IMRF is required by law to be fully funded each year, the pension program has been maintained in good financial shape. The Downstate Police Pension Program and the Downstate Fire Pension Program, which provides for municipal police and fire pensions, are underfunded due to past issues including municipalities not providing full funding each year. This has shifted a larger burden on current and future property tax payers.
 - Municipalities with a large sales tax base rely less on property taxes than cities and villages with small retail sales tax bases. These communities typically maintain higher operating budgets and may offer a wider variety of services to its residents.
 - Communities experience increasing costs associated with infrastructure, including school

facilities, and water, sewer and street facilities. It also must maintain the necessary personnel to support growth in the community:

- When new facilities are required, the cost for construction is sometimes paid for by the issuance of bonds which are paid by property taxes until the bonds have been paid off (usually ten to thirty years).
 - Local governments have been forced to defer maintenance on crumbling infrastructure and this results in a growing future cost liability.
- Spending by taxing districts can increase significantly as the result of mandates which are mostly unfunded by state and federal government.

The State Does Not Adequately Fund Education

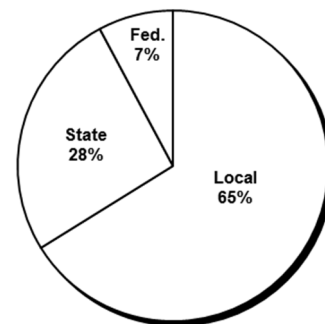
The State has the primary responsibility for financing the system of public education. (Source: Article X of the Illinois Constitution.) During the 2013-14 school year, 54% of Madison County School District revenue was derived from local property taxes. The state does not provide for primary responsibility for financing public education in Madison County. Local property taxes are the primary source of funding education. Because the largest portion of a local property tax bill is dedicated to the school tax districts (62% in 2015), the state's failure to adequately fund education is the primary driver of high property taxes in Madison County.

To exacerbate the problem, the gap between state funding and local property taxes is getting worse. As identified in the summary of taxes levied by taxing districts on page 23, the average annual tax levy increase for school districts in Madison County over the previous 10 years prior to the great recession was 9.8% (Since 2012, the increase greatly moderated, to an average of 2.3% per year. This was generally impacted by falling property valuations). During a similar period when property tax collections were increasing, the amount of state funding as a portion of education funding steadily declined. A correlation can be made between a reduction in the level of state funding and an increase in property taxes to support education. Again, since the school education taxes represent the largest portion of the property tax bill, the level of state funding for education has had a significant impact on rising property taxes in Madison County.

Issues:

- The state of Illinois has the primary constitutional responsibility for funding education but has driven the principal responsibility on local property taxes. As the tables on page 23 illustrates, the deficit has actually grown between 2007 and 2014.
- Property tax revenue is the single largest funding source for school districts in Madison County. State-wide, more than 60% of the total local property taxes levied go to fund education. When including all local funding, the percentage increases to 65%.
- Excluding education pension funding, the state funding level for education only provides 28% of the cost of providing education, which places Illinois 49th among 50 states in terms of per capita funding. The funding formula has virtually remained unchanged since 1999.
- The state uses a complicated formula in dispensing state education money that is meant to equalize the gap between rich and poor school districts. The formula is flawed in different ways;
 - The method for distributing General State Aid is determined by a statutorily defined funding formula. Most districts receive state aid under the “foundation formula.” The property wealth of the district and the daily pupil attendance largely impacts the amount of state funding. The level in the past several years has fallen far short of providing school districts with adequate state revenue to support education;

**2014
Revenue for Illinois Schools**

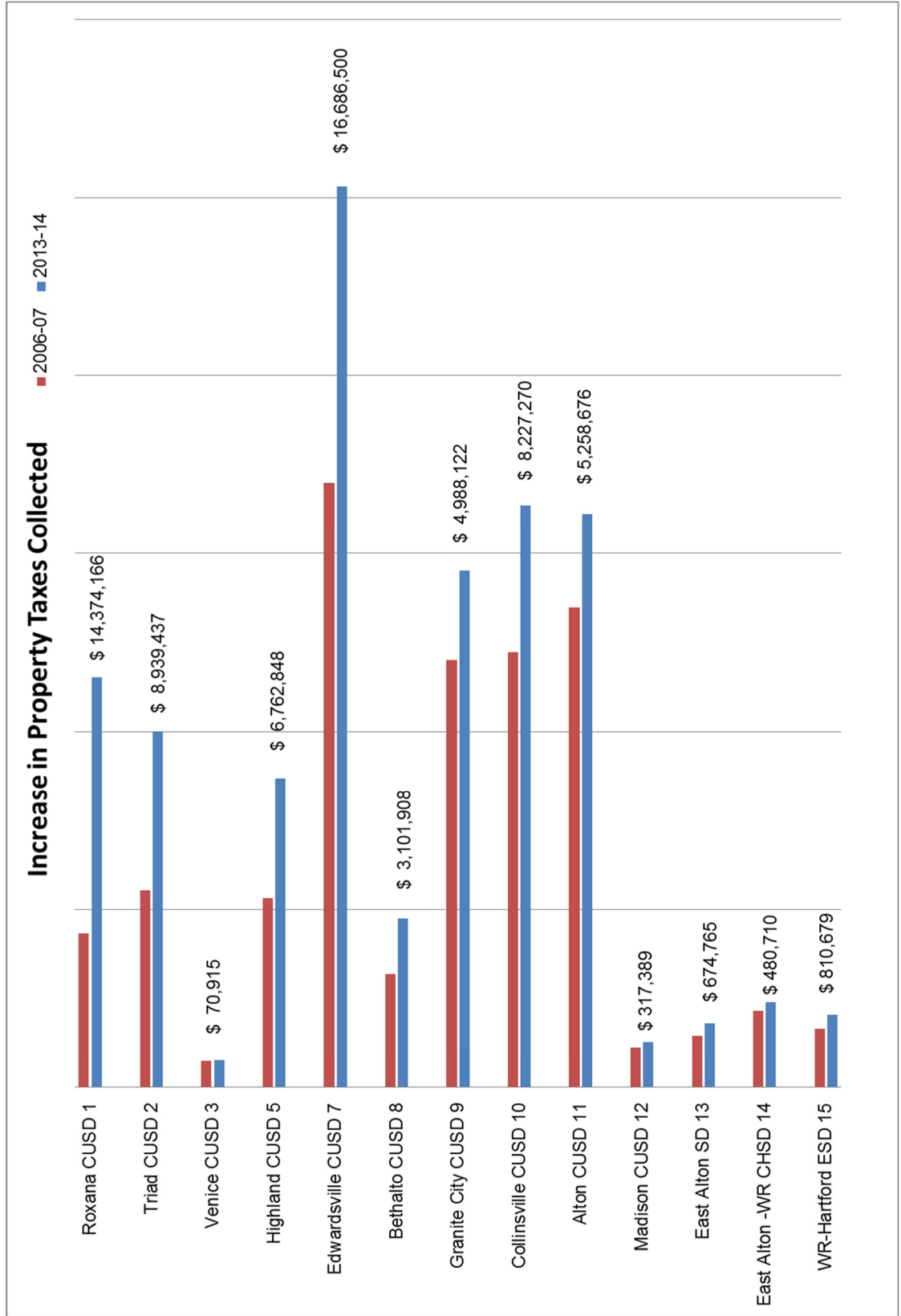


- A significant flaw in the state education funding formula is related to the property wealth of a district. An increase in the value of local property assessments causes the level of state aid to drop. This forces school districts to raise property taxes to make up for the deficit; and
 - Another flaw relates to state funding aid based on daily public attendance. In districts that are experiencing declining enrollment, state aid is reduced. Compounding this problem are districts that have both -- a declining enrollment with rising property values. State aid is reduced further placing an even larger burden on property taxes.
- The foundation level, even with its formula inequities, in most years is not adjusted for inflationary increases placing an increasing burden on local property taxes. This creates an even greater underfunded inequity.
 - The state also provides special categorical aid to pay for a portion of special purpose programs including many that are state mandated. Some of these programs are grant based and school districts must compete for funding. Among the state mandated programs are: free lunch/breakfast; special education and transportation. These programs are subject to appropriations by the state and also have historically been underfunded.
 - Special education programs are underfunded. By design, funding should be 40% federal, 40% state and 20% local. Actual: fixed state at \$8,000 per student – remainder local. As costs rise annually, the amount of local funds subsidizing these programs have also risen due to this fixed cost arrangement.

PROPERTY TAX FUNDING FOR PUBLIC EDUCATION HAS RISEN SINCE 2006-07

PROPERTY TAX REVENUE AS A PERCENTAGE OF ALL REVENUE 2006-2007				PROPERTY TAX REVENUE AS A PERCENTAGE OF ALL REVENUE 2013-2014				PROPERTY TAX INCREASE 2006 TO 2014	
	LOCAL PROP TAXES	OTHER FUNDING*	% PROP TAX		LOCAL PROP TAXES	OTHER FUNDING*	% PROP TAX	INCREASE	% INCREASE (as % share)
Roxana CUSD 1	\$ 8,679,540	\$ 9,673,490	47%	Roxana CUSD 1	\$ 23,053,706	\$ 5,308,544	81%	\$ 14,374,166	34%
Triad CUSD 2	\$ 11,101,108	\$ 16,275,596	41%	Triad CUSD 2	\$ 20,040,545	\$ 14,248,973	58%	\$ 8,939,437	18%
Venice CUSD 3	\$ 1,482,428	\$ 1,792,097	45%	Venice CUSD 3	\$ 1,553,343	\$ 1,371,374	53%	\$ 70,915	8%
Highland CUSD 5	\$ 10,660,523	\$ 12,923,521	45%	Highland CUSD 5	\$ 17,423,371	\$ 12,041,752	59%	\$ 6,762,848	14%
Edwardsville CUSD 7	\$ 33,971,246	\$ 26,812,459	56%	Edwardsville CUSD 7	\$ 50,657,746	\$ 20,067,615	72%	\$ 16,686,500	16%
Bethalto CUSD 8	\$ 6,399,871	\$ 14,453,960	31%	Bethalto CUSD 8	\$ 9,501,779	\$ 15,844,093	37%	\$ 3,101,908	7%
Granite City CUSD 9	\$ 24,015,671	\$ 35,225,656	41%	Granite City CUSD 9	\$ 29,003,793	\$ 36,590,286	44%	\$ 4,988,122	4%
Collinsville CUSD 10	\$ 24,463,293	\$ 26,205,142	48%	Collinsville CUSD 10	\$ 32,690,563	\$ 33,180,769	50%	\$ 8,227,270	1%
Alton CUSD 11	\$ 26,966,556	\$ 40,852,339	40%	Alton CUSD 11	\$ 32,225,232	\$ 35,547,745	48%	\$ 5,258,676	8%
Madison CUSD 12	\$ 2,260,514	\$ 13,538,787	14%	Madison CUSD 12	\$ 2,577,903	\$ 8,341,728	24%	\$ 317,389	9%
East Alton SD 13	\$ 2,950,979	\$ 6,761,893	30%	East Alton SD 13	\$ 3,625,744	\$ 6,179,086	37%	\$ 674,765	7%
East Alton -WR CHSD 14	\$ 4,350,863	\$ 3,151,978	58%	East Alton -WR CHSD 14	\$ 4,831,573	\$ 2,273,412	68%	\$ 480,710	10%
WR-Hartford ESD 15	\$ 3,316,109	\$ 3,872,470	46%	WR-Hartford ESD 15	\$ 4,126,788	\$ 3,320,553	55%	\$ 810,679	9%
	\$ 160,618,701	\$ 211,539,388	43%		\$ 231,312,086	\$ 194,315,930	54%	\$ 70,693,385	11%
* Other funding includes state, federal and non-property tax local sources.				* Other funding includes state, federal and non-property tax local sources.					
Source: Illinois State Board of Education Report Card, 2006-07				Source: Illinois State Board of Education Report Card, 2013-2014					

SCHOOL PROPERTY TAX FUNDING CHANGE BETWEEN 2006-07 AND 2013-14



Unfunded State and Federal Mandates

Both the federal and state constitutions provide powers over local governments. These entities often pass laws that impose mandates on taxing districts to address special needs of our society. Certain mandates also provide funding in the form of grants or other subsidies. Often times, however, insufficient funds are provided placing a large burden on the local taxing bodies to generate the funds to carry out these programs, or mandates, from local sources including property taxes. School districts are particularly impacted by unfunded state and federal mandates.

Issues:

- Unfunded mandates, imposed by the state and federal government, create financial hardships on taxing districts. In some cases, the state or federal government provides a level of funding for these programs, but the funding falls far short of the actual program expense. Subsequently, the support shifts to local resources such as the property tax.
- Federal mandates for education are significant and greatly increases the cost of providing educational services:
 - Mandates to provide for students with special needs have been a financial burden on school districts. The costs associated with educating these students tend to be much higher than regular programs and also require personnel with special qualifications as well as low class size which increase personnel costs even greater;
- State mandates such as employee pension enhancements have increased property tax bills since a large portion of pension costs are levied from property taxes:
 - With the exception of education pensions, which are funded by the state, most local government pensions are derived from property taxes;
 - The Illinois Municipal Retirement Fund provides pension benefits for most municipal and county employees. The program, by law, must be fully funded to provide for both current and future obligations;
 - Most public safety employees are part of the downstate police and fire pension programs. While funding is also primarily derived from the property tax, the requirement that current and future obligations be fully funded does not exist. The result has been that many of these programs are underfunded creating a significant future obligation against taxpayers; and
 - The Illinois legislature has frequently approved pension enhancements that have greatly increased the cost of providing local government pensions. When this occurs, the burden is typically placed on the property tax.
- State legislation that increases assessment exemptions lower taxes some, but also unfairly redistributes a higher tax burden to non-exempted taxpayers. School Districts will complain about a loss of funds because the maximum tax rate is applied to a lower base.
- The state does not offer school districts or other units of government tort protection. Costs related to tort liability including legal costs, insurance costs and the payment of claims are assessed as part of the property tax levy. While not considered a mandate, state and federal

laws may be revised to provide some level of protection and reducing the cost to defend against these cases.

- In 2015, the State of Illinois published a report by the Task Force on Local Government Consolidation and Unfunded Mandates. A summary of the recommendations of the report is found in Appendix "A."

Communication with the Public

Property owner complaints about taxes typically occur when some type of notice is received in the mail, whether a reassessment notice, a multiplier notice or a tax bill. The general public lacks an understanding about how the property taxation system works and who is responsible for determining tax bills. Units of local government generally have been ineffective in communicating why it spends what it does and in justifying higher taxes.

Issues:

- The property tax formula is confusing. The vast majority of the public doesn't understand it.
- Madison County Government receives a disproportionate share of blame for property taxes rising because it bears the statutory responsibility of mailing assessment notices and property tax bills, even though taxes are set by individual taxing districts. Because school districts levy over 60% of taxes collected in Madison County, complaints are made to the county, rather than school districts.
- Taxpayers also have a tendency to blame the assessor for high taxes due to annual increases in assessments. The assessor is only mandated to establish property at 33 1/3% of its value. The assessor has no role in determining the amount of a tax bill. This is confusing to the public.
- Taxing districts do not effectively communicate how taxes are determined and how the revenue will be spent. They are not effective in explaining to the public the reasons for increased spending or higher budgets.
- Truth in Taxation newspaper notices that are required when levy increases exceed five percent are not effective in communicating with the public.
- Truth in Taxation public hearings are poorly attended by the public. Local officials should be held accountable for their actions, but the lack of public participation has often given them a pass.
- Property tax assessment notices and property tax bills inform the public on the amount that is being raised, but lacks any additional information that may help explain the reasons for the increase.
- When the property tax bills are mailed, it is too late for taxpayers to take action about high taxes.

EXCERPTS FROM NEWSPAPERS – *Below are two examples where news reports provide an inaccurate estimation that taxes are being lowered when in fact they rise substantially. The tax rate is not a true indicator of whether taxes are rising or dropping. It fails to factor in rising property assessments that the tax rate is applied to. The levy amount is the most accurate indicator. Taxing district names were removed from this example in an attempt not to single out any individual taxing since similar reporting inaccuracies are often found in news stories.*

TELEGRAPH 12/2007

CITY EXPECTS TAX RATE TO GO DOWN

Tuesday night's City Council meeting marked the first reading of an ordinance making an assessment, levy and collection of taxes for the city. The rate, for 2007 taxes is estimated to be 1.4746 percent – a drop from the 2006 rate of 1.4770 percent.

[Actual: The collective amount of funds levied for this particular city actually increased \$ 643,884 or a 9.1% tax increase over the previous year).

COLLINSVILLE HERALD 11/2007

“While gas and power rates increase, School District officials have offered what could be good news for district residents next year. The tax rate for the School District portion of tax bills could decrease next year, according to preliminary figures discussed at Monday night's board meeting.”

[Actual: The collective amount of funds levied actually increased \$ 3,679,897 or a 13% tax increase over the previous year).

- The news media often unintentionally misrepresents actions of taxing districts, isolating a stable or slight lowering of a tax rate as a tax cut for residents even though taxes collected are being increased (sometimes significantly).
- Elected officials may also not fully understand the property tax process. Elected officials, such as school board members, alderman, commissioners and county board members ultimately have the final say on approving budgets and tax levies. It is important that they fully understand the process.
- Some feel if more of a “spotlight” is placed on the budgeting and tax levy process, then elected officials might more closely scrutinize spending and levy increases.

The Use of Economic Development Incentives

Economic Development efforts by municipalities and county and state economic development groups are geared toward attracting and retaining investment that has benefits to the community. The benefits include the creation of jobs for residents, an enhanced tax base, in some cases providing services consumers desire and commerce for the existing business community. On occasion, incentives are offered to businesses to entice them to invest in the community.

The use of Economic Development incentives can be controversial. Arguments of whether they are necessary, whether tax dollars should be utilized to benefit private interests and how they impact existing business are often made.

Issues:

- An expanding commercial and industrial tax base provides a positive effect on property taxes creating new revenue and reducing the tax burden on existing property tax payers. There are some legitimate uses of incentives that have a clear public benefit, i.e., jobs and an increased tax base, etc.:
 - In areas lacking a desired rate of economic growth, incentives can be used to stimulate development;
 - Economic Development incentives can be effective to retain and encourage existing businesses to expand;
 - Some developments incur extraordinary expenses related to public infrastructure, including major roadway improvements and storm water enhancements. These types of improvements benefit both the developer and the public. Progressive communities have also adopted higher development standards which can add to the cost of a development. In these cases, developers look for local government participation to help offset some of the costs; and
 - In some instances, areas offer economic development incentives to match packages offered by competing areas with incentives offered by other areas (local, regional and national);
- Economic Development incentives are also controversial and the public questions the need to assist private development:
 - The public questions why tax dollars are being used as incentives for private businesses;
 - In some cases, it is believed that certain businesses would locate in a community without incentives but hold off committing until it can negotiate an acceptable incentive arrangement with the community; and
 - Existing businesses complain about giving competitors an unfair advantage by providing tax subsidies. In some cases, a competitor is given incentives to locate in a community causing an outcry from existing businesses that will be hurt by the competition (and who did not receive economic development incentives). Another example is the so called “Wal-Mart” example. Large box type developments are given incentives to develop on the outskirts of town which in turn hurts existing

business districts and sometimes results in the closure of small businesses that can't compete with the large box retail stores.

- Tax Increment Financing Districts (TIF) are one of the few economic development tools available to municipalities to attract development and investment to its community:
 - A TIF District will capture the amount of new property taxes generated from a development for a period of time to help pay for development-related costs or costs that will make the site suitable and attractive for development. The rationale is the new property taxes would not be paid unless the development occurs, so capturing the new taxes as an incentive, does not hurt the public;
 - The consequence is the individual taxpayer in the community funds services by the taxing districts until such time the TIF district is dissolved and tax payments are finally paid to the taxing districts;
 - TIF Districts in Illinois have criteria that must be met to qualify for its use; and
 - Some will argue that TIF Districts should be utilized for true redevelopment projects and municipalities “stretch” the criteria when applying to other types of development;
 - Ideally, a true “but for” criteria would be utilized for TIF districts (“but for the TIF subsidy, the development would not occur”.)
 - Communities compete for development with neighboring communities. Sometimes the community must stray from the true “but for” criteria to avoid losing the development to the other community;
 - TIF districts negatively impact school districts which lose the most revenue since it is the largest portion of a property tax payment. The impact, however, has been lessened with the enactment of legislation implemented in 1999. Negotiated agreements between school districts and municipalities, related to loss revenue, are more common and offset the loss revenue;
 - New Sales Tax Districts seem to have lessened the reliance on TIF Districts for developments that generate significant sales tax. Up to one percent in additional sales tax may be imposed on development to pay for development related costs (typically public improvements such as roads, sewers etc.). While property tax distributions to taxing districts are not affected by these districts, taxpayers who make purchases in these districts pay a higher amount of sales tax;
 - TIF districts for retail based developments generate sales taxes for municipalities. Increasingly, other units of government have suggested utilizing proceeds from the sales tax windfall in lieu of the property tax increment for development costs; and
 - In the past there were a few residential TIF districts established. These districts do not share the same economic development benefits as other TIF Districts and have an effect on schools which are required to accept new students from the subdivisions but do not benefit from the receipt of new property taxes. The result is the cost of educating these students is spread to other taxpayers. Special assessment districts are a better tool for developments that require assistance with infrastructure. These costs are paid by those that benefit directly from the development (lot owners) and avoid the overall tax burden being spread to others.

- Enterprise Zones are widely used in Madison County to attract new development, particularly heavy commercial and industrial development. These zones combine a variety of incentives including property tax abatement, training assistance, and state and federal tax credits:
 - Unlike TIF Districts, where property payers in the district still make tax payments (to be used inside the TIF District), property tax abatement in an Enterprise Zone results in no payment made at all. The developer pays no property taxes during the period of exclusion; and
 - After the abatement period ends, taxes are paid by the property owner. At this point, taxpayers benefit through the form of reduced taxes as the result of the new taxes being paid by the properties within the Enterprise Zone.
 - Enterprise Zones in Madison County have been extremely successful generating billions of dollars in investment. The County's largest employers have invested in their facilities utilizing enterprise zone incentives. The new Logistics Corridor has created in excess of 5,000 new jobs for county residents, taking advantage of the Enterprise Zone.

State Education Funding Reform

For decades, debate has occurred regarding the reform of the state education funding system. The present funding formula has roots dating back to 1927. Issues have varied including advocating state revenue as the principal source of revenue, minimizing the burden on local property taxes, and addressing inequities between school districts. Past efforts to increase the state responsibility for funding education have been met with limited success. Legislative efforts have not effectively addressed the problem. Efforts to amend the state constitution to require state funding for education has also failed. Article Ten of the 1970 State Constitutional Convention failed to include language establishing education as a fundamental right and specifying full state assumption of funding it. The Constitution further limited the state to a flat income tax greatly limiting its ability to increase taxes and dedicate the proper resources to education. In 1991, an attempt to amend Article Ten of the state constitution narrowly failed the legislature and withstood an appeal to the Illinois Supreme Court. Another attempt to clarify how the state distributes funding for education as part of the state constitution would be through a constitutional amendment, or as part of a state constitutional convention, which may be held once every twenty years. Because education funding reform has not occurred in Illinois, the result has been a continued decline in the level of state funding and a greater reliance on local property tax revenue to fund education.

Issues:

- The State has a structural problem with providing proper financial resources for education:
 - State education funding is principally derived from its flat state income tax;
 - Revenue growth in this tax has been insufficient to adequately fund education; and
 - The state income tax also funds general state government, providing competition for resources with education funding.
- The State's current fiscal situation makes it difficult to adequately fund education:
 - The State has incurred significant long-term debt, primarily related to pension obligations for state employees and teachers; and
 - Medicaid and other health care benefit programs that have seen costs skyrocket are a major drain on state financial resources.
- Previous educational reform initiatives have either not advanced or have not effected real change:
 - Public Act 90-548 created the Illinois Education Funding Advisory Board (EFAB). The EFAB issued reports in 2002 and 2005 recommending raising the state foundation level and other modifications. No significant structural change in funding was implemented.
- Legislation calling for modifications in state funding for education is introduced annually but fails to advance in the legislative process.
 - Legislative efforts to reform public education funding have been proposed and failed to achieve the proper support from legislative bodies and the sitting Governor;

- Current education funding reform has attempted to place more state funding into public education, but has created divisions within the state pitting Chicago, Suburban Chicago Schools, and Downstate school districts against each other. Various different funding distribution models have created “winners” and “losers.” None of the proposals seem to address property tax refund at the local level.
- Legislative reform has been hampered by the state’s current fiscal crisis since there is a limited amount of funding available to adequately fund public education.
- Various other reforms have been presented that address state formula issues, such as funding deficiencies between wealthy school districts and those lacking local resources, including low income districts.
- The Illinois Legislature enacted Public Act 95-0675 which allows a county to place on a ballot before the voters a question to impose up to a one percent sales tax to fund “facility costs.” Facility costs, generally, would be identified as building costs such as the construction or reconstruction of school facilities:
 - Passage of the measure would create the ability to collect taxes via the sales of retail goods. This could potentially shift the burden of paying for these types of expenditures away from the property tax and on to the sales tax;
 - Sales tax revenue generated from this source could be used to retire existing school construction debt and abate property taxes that would normally be applied as payment toward the debt. This would lower the amount of property taxes paid;
 - A drawback is the funds may only be used for facility-related costs and not for operational or other education costs that are supported by the property tax; and
 - The law also has no provision that would require a school district to utilize the funds in replacement of property taxes that are levied for similar purposes. This drawback could result in taxpayers paying more – property taxes and sales taxes – as opposed to shifting a portion of the property tax burden to the sales tax.
 - A referendum to impose a public education facility sales tax in Madison County was rejected by the voters in 2011.

Other Property Tax Reform Initiatives

In recent years, the Illinois General Assembly has attempted to address problems associated with rising assessments and property taxes by passing various reform initiatives. While some measures have had some impact, they have also created problems too. The information contained in this section presents a few of the initiatives and provides some of the issues related to their effectiveness.

Issues:

- The Property Tax Extension Limitation Law (PTELL) was adopted to limit taxing districts ability to increase taxes capped at the rate of inflation or five percent, whichever is less. This law has also been referred to as “tax caps:”
 - The law limits the amount of taxes that may be increased. New construction is exempt from the cap. In recent years, inflation rates have ranged in the two to three percent range. In Illinois, 39 of the 102 counties have adopted tax caps. Where it has been adopted, the rate of property tax bill increases are lower (property taxes still increase, but at a lower rate);
 - Proponents of tax caps argue taxing districts lack the discipline to limit spending and tax caps forces them to do so.
- There are deficiencies in the PTELL law that make it unfair for both taxpayers and taxing bodies:
 - Opponents will argue that tax caps greatly restrict its ability to provide services and result in sharp cutbacks that have a dramatic impact. School districts in particular will strongly argue tax caps greatly decrease their ability to educate;
 - State aid formula becomes more deficient with PTELL. As assessed value rises, state aid drops. Overall school funding drops because the school district cannot recoup this loss revenue through property taxes which are capped;
 - There are other deficiencies in the PTELL as well:
 - PTELL does not apply to home rule communities and school districts that overlap county boundaries (unless all counties have adopted tax caps). A significant portion of Madison County’s population would have taxing districts exempt from PTELL;
 - There has been a trend in other counties that taxing districts increase property tax rates in anticipation of tax caps becoming effective causing a sharp increase in property taxes;
 - Districts under tax caps argue that tort and pension levies should be excluded from PTELL limits due to external factors out of the control of local taxing districts. Taxing districts that are burdened with heavy pension and tort liability debt have no choice but to cutback operating expenses greatly affecting their ability to provide services; and
 - The PTELL formula allows for increases tied to the consumer price index. Some have argued the formula is flawed and increases should be tied to the

employment cost index which more closely reflects local government employment costs (local government's predominant expense).

- Legislative proposals providing partial property assessment exemptions to certain classes of property owners attempt to provide some relief to tax payers:
 - These exemptions include the general homestead exemption for residential homeowners, a special homestead exemption for senior citizens, a special exemption for disabled veterans, an exemption for homestead improvements that increase market value, and preferential treatment for farm land that has a high-market value in relation to productivity;
 - Tax payers receiving these exemptions experience some relief. Tax payers not receiving these exemptions carry a higher burden since higher tax rates are calculated to collect the levies established by the taxing bodies; and
 - In some cases, a taxing district which establishes its tax rate at the maximum will experience a loss of revenue since the rate may only be applied to the total district assessed valuation after exemptions are applied.

- Impact Fees have been used in some areas to offset costs related to growth. Fees are assessed against development and these funds are used to pay for public facilities such as school construction, roads, and park facilities:
 - Impact fees can benefit growth school districts. The revenue helps offset the cost of new school construction and lessens the burden on existing property owners to pay for the same; and
 - Proponents will argue impact fees are fair because it places the burden of new infrastructure and facilities on new development or new residents; and
 - Opponents will argue impact fees are flawed because the fees are assessed against new construction home buyers, including those already in the community paying taxes, but leave out home buyers of existing structures who are new to the community.

Summary and Recommendations

Property taxes have sharply risen in Madison County over the past several years. Local taxing districts demands for larger tax levies are the biggest contributor to higher property taxes. A significant portion of the general public, particularly those in areas of the counties where property taxes have risen the highest, are outraged at tax bills. This frustration extends to escalating residential property tax assessments which taxpayers associate with higher property taxes.

Property owners are overburdened with the cost of paying for local government through property taxes as opposed to other forms of taxation. The rapid escalation of assessments in the years preceding the great recession also contributed to the problem giving local taxing districts easy access to additional revenue. Contributing to this predicament is education funding which makes up the largest portion of a property tax bill and relies heavily on it to operate due to limitations in other revenue sources.

There are many other issues that contribute to the property tax problem. There is the matter of unfunded mandates. Mandates are often passed on to local taxing entities without the resources to pay for them. Taxing bodies have turned to the property tax to offset these costs. Overall spending by taxing districts is an issue. Most taxing districts see themselves principally as service providers and are reluctant to disrupt services through reductions or pursuing other matters that would result in improvements in efficiencies if service delivery is sacrificed. Exasperating the problem is in many cases a taxing district often has the ability to make up the difference in revenue and proposed expenditures simply by increasing property tax collections.

Overall, the property tax system is rather arcane and the over reliance on property taxes by taxing districts does not meet the basic need of funding government services without placing a heavy burden on property tax payers. There are many contributing factors that make up this predicament with the state's failure to properly fund education as the most significant.

Summary and Recommendations:

EDUCATION FUNDING

- The state's inability to adequately fund education relates to structural problems associated with the state budget including (but not limited to) a heavy unfunded teacher and state employee pension debt. These structural problems must be corrected to give the state the fiscal health to properly fund education.
- Legislation should be passed that would:
 - Increase state revenue through the income tax or some other significant revenue source. Utilize the revenue to pay down state pension debt and provide increased funding for education; and
 - Include a "real" reduction in property taxes in exchange for the higher income tax or other revenue source. Otherwise, taxpayers would simply end up paying more taxes.
- Increase state revenue for education:
 - The state should bear the primary responsibility for funding education. State funding should be set at the proper level to establish a fair balance between state and local taxes;

- Achieving this state/local split is fair and relieves the burden on local property taxes; and
- Requires legislation or an amendment to the state constitution to assure funding is permanent.
- Unfunded mandates should be fully funded:
 - The state and federal government should not pass mandates that increase the cost of services without providing a funding source to pay for these mandates. Taxing districts should not be forced to raise property taxes to pay for them;
 - School districts should not bear such a heavy burden for special education costs. The state and federal government, whom set special education standards, must contribute to the cost of meeting these standards at a higher level to lessen the burden on local taxpayers. A split of 20% local and 80% federal/state should be supported; and
 - Local taxing districts should actively lobby Springfield and Washington to demand mandates are fully funded or not imposed at all.
- The state has been unsuccessful in effectively addressing state education reform:
 - If a fix cannot be made through legislative changes in the state education system, including the state's fiscal capability to pay for it, then the voters of the state should be given an opportunity to amend the state constitution;
 - The statewide referendum should establish education as a fundamental right and specify state assumption of funding it; and
 - The amendment should provide for an income tax increase coupled with a reduction in property taxes.
- Other Education Funding Reforms:
 - School districts, which are non-home rule governments, should be given greater authority to access a wider variety of revenues that could help them reduce the property tax burden on taxpayers;
 - The state education funding formula is obsolete and should be revamped:
 - The education formula should be free of provisions that adversely affect school districts such as the EAV penalty for growth districts;
 - Allowing "categoricals" in education funding would create a sliding formula that takes into account a school district's growth and permits a district to transfer earmarked state funds for areas that need funding assistance; and
 - Likewise, school districts are required to segregate tax levy funds that may only be earmarked for specific purposes. As a result, some funds are more strapped while others are allowed to build surpluses. Some flexibility to manage monies based on their needs could improve their ability to function, provided purpose of limiting spending via maximum tax rates is minimally compromised.

- The State should work with local boards of education to improve academic and fiscal accountability, management practices and cost control efforts.

PROPERTY ASSESSMENTS

- The property assessment system requires modifications that will address flaws:
 - Similar properties should be assessed alike. The fairness of the property tax system depends on this. If the local assessor is not achieving this equity, the county assessor should step in and make corrections; and
 - The multiplier will not be effective in balancing assessments between townships unless:
 - Local assessors assure every property is properly assessed.
 - Neighborhoods with lagging property assessments are brought up to the correct level. Otherwise, the multiplier will attempt to correct this deficiency and actually create a greater inequity against properties that are properly assessed.
 - Until such time level property assessments can be achieved during a quadrennial reassessment, the assessor should consider factoring out of any reassessment of property the projected multiplier to avoid compounding the problem.
 - To ensure local assessment officials are properly trained to fairly assess property, employees should be provided with the opportunity to become a certified Illinois Assessment Official and participate in the minimum thirty hours of continuing education required to maintain such certification. In addition, all township assessors, including those appointed by township board when a vacancy exists, must be certified within one year of becoming assessor. The current law does not require assessors filling vacancies to become certified assessment officials.
- Partial assessment exemptions are not the answer. They grant some relief from the problem plagued system. If the system is fixed, then exemptions might be eliminated to make the overall taxation system fairer.

TAXING DISTRICTS – LEVYING OF TAXES FOR THE PURPOSE OF GOVERNMENT OPERATIONS

- Establishing Tax Levies by Taxing Districts:
 - Escalating property tax bills are a major issue for taxpayers. Taxing districts, therefore, should formally recognize tax payers concerns of high property tax bills and acknowledge this concern in formal budget policies that guide budget preparation and adoption by the taxing district board;
 - The attitude of some taxing districts must change from being “entitled to all” taxes that may be accessed under the maximum tax rate to only those that can be “justified;”
 - As property assessment rises, particularly in years where assessments rise substantially, taxing districts should be more aggressive in attempting to roll back the tax rate to give property tax payers relief;

- Rolling back the tax rate by tax districts helps address the problem with rising property assessments. Otherwise, taxpayers will continue to see sharp increases in their property tax bills as assessments continue to grow;
- Closer scrutiny of the budgeting and tax levy process is needed to assure districts are held accountable for increasing taxes;
- Taxing districts, particularly those that attempt to maintain the maximum tax rate, should be prohibited from “hedging” against assessment projections to assure they capture the maximum revenue. Taxing districts sometimes follow this practice to capture revenue as the result of unanticipated increases in assessments due to higher than expected township multipliers or better than expected board of review appeal results. Projections are provided by the county assessor as a courtesy to taxing districts and represent the best estimate of final assessments and to be utilized in the levy setting process. Taxing districts should refrain from requesting levy increases that exceed estimates provided by the county assessor for the purpose of maximizing the tax rate and revenue potential from property taxes.
- Budgets and levy ordinances need to coincide with each other to avoid problems with over estimating property tax revenue. The public would also have a better opportunity to fully participate in the process; and
- An improved public notification system is required to shed more light on the budget setting and tax levy process.
- Spending by local taxing bodies must be contained to minimize increases in property taxes:
 - Taxing districts should exercise fiscal restraint in spending. Even with justified spending, the looming property tax crisis must be given heavy consideration and factored into spending policy;
 - Taxing bodies should be proactive and creative in seeking ways to provide services at a lower cost;

CONSOLIDATION OF TAXING DISTRICTS/SHARING OF RESOURCES

- Taxing Districts should collaborate with each other to provide residents with better services and to cut costs; and
 - There are more than 150 taxing districts in Madison County. Consolidating some of these districts should be considered to gain efficiencies and to lower the cost of government;
 - Intergovernmental agreements between taxing districts and other entities may be effective in lowering costs and potentially expanding services. Sharing facilities such as libraries or recreation are examples where greater services may be provided to residents and potentially avoid expanding similar services within the same district;
 - The same type of intergovernmental agreement may be utilized for entities providing services for one another. Examples are contract street maintenance, police protection, code enforcement, etc.;
 - Participation in pools to access certain benefits at lower costs. Some of these

arrangements include purchasing pools, health insurance and liability insurance pools;

- The need to find ways to reduce legal costs, pooling of resources, supporting legislative reforms, etc.; and
 - While consolidation promotes efficiencies and cost savings, local control is also important to residents which is partially sacrificed with consolidation.
- Streamlining local government services through consolidations and intergovernmental agreements is difficult to achieve. Taxing districts have a tendency to protect their self-interests and are reluctant to give this up. A formal process should be established to study possible consolidations and agreements where benefits to the taxpayer can be achieved. Consideration should also be given to enacting state legislation requiring this process or creating an incentive for taxing districts to engage in arrangements that reduce costs.

PROPERTY TAX RELIEF

- Property tax relief – Enhancements in Property Tax Extension Limitation Law (PTELL):
 - It is ultimately the decision of voters on whether taxing districts should be limited under the so called tax cap law. Voters in Madison County when given an opportunity to adopt tax caps rejected the referendum. It also overwhelmingly passed an advisory referendum requesting the state to correct deficiencies in the tax cap law;
 - In fairness to both taxpayers and taxing districts, deficiencies in the PTELL law should be corrected to provide voters a better choice and to minimize negative consequences for taxing districts, particularly school districts:
 - Correcting the state education funding formula to eliminate penalizing school districts with rising assessments;
 - Increase state education funding to at least 51% to lessen the impact PTELL would have on education;
 - The PTELL law should apply to all taxing districts in the county. Exclusions for home rule communities and school districts that overlap county boundaries should be eliminated;
 - The loophole should be closed that permits taxing districts from sharply increasing property tax rates in anticipation of the tax cap law becoming effective;
 - The PTELL formula should be revised to exclude tort and pension levies from the limitation; and
 - The PTELL formula should be revised to allow for increases related to a more reflective index such as the employment cost index or some combination of the consumer price index and employment cost index.
- Some level of tort protection should be extended to taxing districts to minimize costs associated with litigation.

PUBLIC COMMUNICATIONS

- Communication with the Public:
 - Assessment notices should be expanded to better inform the taxpayer:
 - It should include an expanded explanation of how a taxpayer can appeal to lower a property assessment; and
 - It should include an estimate of the amount of new taxes the assessment could generate if the tax rate and exemptions are unchanged; and
 - It should include information on the next year's tax setting process including when budgets and tax levy increases will be considered and who to contact to complain about taxes.
 - Tax bills should be reformatted to indicate a separate bill for each taxing district:
 - The separate tax bills should be consolidated into one mailing and continue to be sent by the County Collector to save postage and processing costs;
 - The bill should clearly indicate the name of the taxing district requesting the increased funding – possibly even using the letterhead of the district;
 - It should include the amount of taxes paid the previous year by the tax payer for each taxing district and the percentage increase; and
 - It should include a multi-year average of percentage increases in each taxing district; and
 - It should include contact information for the taxing district.
 - Create a “taxpayers” web site that increases the amount of information available that acts as a destination for information. Information should include, at a minimum:
 - Explain the property taxation system in layman's terms and how the public can get involved in the tax setting process;
 - Inform the public how they may protest their individual taxes;
 - Look up information on individual assessments and taxes paid by property owners;
 - Provide current and historical data on tax increase performance by taxing bodies;
 - Provide links to postings of budgets for taxing districts;
 - Provide contact information for public officials; and
 - Include a “help line” with a telephone number where a taxpayer may call and have most questions answered or be directed to the correct person who may answer the question.

- Expand the truth in taxation law to require notices are mailed to property tax payers. Madison County has the automation capability to, if requested, assist taxing districts with the printing of notices and the delivery to the taxing district for mailing;
- Taxing bodies should be required to post their annual budgets on a web site:
 - Budgets should be presented in “clear English” and include an executive summary that explains spending and factors that affect the budget.
- Show the actual amount paid to TIF Districts on property tax bills.

PROPER USE OF ECONOMIC DEVELOPMENT INCENTIVES

- Use of Economic Development Incentives:
 - Promoting economic development in communities should be encouraged to enhance the tax base and lessen the burden on existing taxpayers;
 - Incentives shall be limited to only those levels that are necessary to make the development feasible;
 - Incentives to encourage economic development should not be abused;
 - Local and regional incentives should be uniform so a development cannot play one community versus another;
 - The regional council of governments is a possible entity that can develop a regional economic development approach that can be followed by cities and counties in the region; and
 - More accountability for TIF Districts:
 - Analyzing the fiscal effects of proposed TIF's on local units of government should be required and made part of the findings establishing the TIF district. This should also be made part of annual TIF reports;
 - Modify the TIF Law – annually adjust by inflation the base district wide assessment;
 - Include detailed accounting of surplus increment in annual TIF reports; and
 - No residential TIF's should be approved.

APPENDIX “A” Summary of Recommendations Made by the State of Illinois Task force on Local Government Consolidation and Unfunded Mandates

The Illinois Task Force on Local Government Consolidation and Unfunded Mandates was created by Executive Order of Governor Rauner. The Task Force members consisted of state and local government officials. The mission of the task force was to not only to document problems relating to consolidation and unfunded mandates, but also to propose government reform recommendations to the Governor and the Illinois General Assembly. In the 16 meetings since its creation, the Task Force voted to endorse 27 recommendations. A short summary of each recommendation is provided below. The entire text of each recommendation, as approved by the Task Force, is in the Proposals and Recommendations is found in the report at:

<http://www.illinois.gov/lrg/issues/localgovernments/Documents/Local%20Government%20Consolidation%20and%20Unfunded%20Mandates%20Task%20Force%20Final%20Report.pdf>

Consolidation-Related Recommendations:

1. Enact a 4-year moratorium on creating new local governments.

- Enact a four-year moratorium on creating new local governments, unless this new government is a result of the consolidation of two or more existing local governments.

2. Empower Illinois citizens to consolidate or dissolve local governments via referendum.

- Set a maximum petition signature requirement of 5 percent of votes cast in the last general election to bring forward a referendum relating to the consolidation or dissolution of a local unit of government.

3. Expand DuPage County’s pilot consolidation program to all 102 counties.

- Extend to all 102 counties in Illinois the authority to dissolve or consolidate government units whose boards are appointed by the county. (Public Act 098-0126)

4. Allow all townships in the state to consolidate with coterminous municipalities via referendum.

- This recommendation was enacted in law as PA 99-0353 and will be made effective January 1, 2016.

- Extend to the 19 other coterminous municipalities/townships in Illinois the same authority that was granted to voters in Evanston Township to hold a referendum to consolidate the township into the city of Evanston. (Public Act 98-0127)

5. Remove the limitation capping a township size of 126 square miles.

- Remove the 126-square mile cap on townships to allow larger consolidation of two or more townships into one.

6. Allow counties to retain their existing form of government following a successful referendum to dissolve townships into the county.

- Current law requires any county that dissolves its townships into the county to change its structure to commission form of government and cap the number of county board members to five. This proposal allows counties to retain their current form of government.

7. Hold taxpayers harmless from township consolidation.

- Allow a county board or citizen-initiated township consolidation referendum to peg the year one local tax rate to the lowest rate among consolidating townships.

8. Allow counties with fewer than 15,000 parcels and \$1 billion in Equalized Assessed Value (EAV) to dissolve all of the elected township assessors and multi-township assessment districts into one, newly elected county assessor position and office - by majority vote of the county board or via citizen-led referendum.

- Consolidation of the township assessor position in the aforementioned circumstances would provide standardized services and a reduced occurrence of unequal assessment practices.

9. Protect the Intergovernmental Cooperation Act.

- Encourages local governments to continue to coordinate service offerings through intergovernmental agreements.

10. School District Consolidation: Provide the Illinois State Board of Education (ISBE) flexibility to incentivize outcomes of school district consolidation.

- School district consolidation can lead to enhanced academic offerings, K-12 curriculum alignment, and improved administrative efficiencies. Incentivizing these outcomes through ISBE could lead to school district consolidation without the application of a one-size-fits-all consolidation model.

11. Encourage state agencies – when allocating discretionary state and federal funds to local governments – to encourage regional sharing of public equipment, facilities, training, resources, and administrative functions.

- Local units of government can achieve significant savings through the consolidation and sharing of services, assets, personnel and function. State agencies should be empowered to incentivize good government, intergovernmental cooperation.

12. Allow merger of general township road and bridge districts that maintain less than 25 miles of road.

- Current law requires township road and bridge districts with less than 5 miles of road to consolidate into the general township. This proposal would allow consolidation at fewer than 25 miles.

Unfunded Mandate-Related Recommendations:

1. Modernize newspaper public notice mandates.

- Expand public notice mandate requirements to allow local units of government the option to post online public notices and other public information.

- Expand public document retention requirements to allow local units of government the option to store public documents digitally.

2. Repeal or reform Prevailing Wage.

- The repeal or reform of prevailing wages would provide units of government and school districts more local control over contracting.

3. Provide third-party contracting mandate relief for school districts.

- Allow schools to contract out non-instructional services like those relating to building maintenance, transportation and food preparation, among others, in a more competitive manner.

4. Implement physical education mandate relief for school districts.

- Provide local school districts the flexibility to allow physical education exemptions to children for certain academic reasons or to children who are involved in other qualified physical activities.

5. Provide driver education mandate relief for school districts.

- Provide local school districts the authority to contract with a qualified commercial driver training school to provide driver education to students.

6. Make collective bargaining permissive, instead of mandatory.

- Allow locally-elected municipal boards and councils, counties and school districts the authority to decide whether employment issues should be mandatory or permissive subjects of collective bargaining.

7. Eliminate minimum manning from collective bargaining.

- Restore the authority of a municipality and fire protection district to determine staffing needs – thus revoking PA 98-1151.

8. PSEBA: Use the federal definition for catastrophic injury.

- Modernize the Public Safety Employee Benefit Act, by adding the federal definition of catastrophic injury' to ensure personnel, their spouses, and children receive support when the individual is injured on the job and is unable to secure gainful employment.

9. Allow arbitrators to use existing financial parameters of local government as a primary consideration during interest arbitration.

- Currently only provided to Chicago Public Schools, this proposal requires arbitrators to make existing revenues the primary consideration during interest arbitration.

10. Require an annual state review of unfunded mandates on local government.

- In 1987, the Department of Commerce and Economic Opportunity was required (PA 84-1438) to conduct a one-time review of unfunded mandates. This proposal requires an annual review of unfunded mandates on local governments.

11. Merge downstate and suburban public safety pension funds into a single pension investment authority, as amended.

- With 656 funds, Illinois has more than 16 percent of the nation's 3,992 public pension funds, but only 4 percent of the nation's population. The proposal would merge downstate and suburban public safety pension funds into a single pension investment authority.

12. Pass a constitutional amendment on unfunded state mandates.

- The amendment should require the state to reimburse local governments school districts for increased expenses relating to future state mandates.

- Future unfunded mandates need to be characterized as “not reimbursable” and must pass each chamber by a three-fourths majority.

13. Requests the Governor use his amendatory veto power to insert “if economically feasible” language into any legislation authorizing new unfunded mandates on local governments and school districts.

- By tying economic feasibility to compliance with unfunded mandates the Governor can end future costly unfunded mandates.

14. Economic Feasibility Exemption for local units of government, school districts, community colleges and institutions of higher education.

- Provides a process for certain government bodies to exempt themselves from compliance with unfunded mandates when they determine it is not economically feasible to do so.

15. Give control of employee retirement benefit packages back to local governments for new employees.

- Provide local governments the authority to provide blended Social Security and 401k plans to new non-public safety employees and blended defined contribution / defined benefit plans for new public safety employees.