

## TESTIMONY TO THE REVENUE SPECIAL ISSUES SUBCOMMITTEE

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Thank you for the opportunity to address this Senate Subcommittee on the tax cap, a matter that impacts hundreds of thousands of school children across Illinois. My name is Max McGee; I am currently Superintendent of School District 39 in Wilmette and also President of the North Cook Region of the Illinois Association of School Superintendents. I am speaking today on behalf of the superintendents of Cook and Lake County. Our regions of the Illinois Association of School Administrators represent 191 districts that serve 886,000 students in 1,448 schools. **Our schools represent 40% of the Illinois student population, and the tax cap has impacted each and every one of our children** This morning, I would like to outline three critical problems with the tax cap and then propose a two-step solution.

### **The Problems**

- **The tax cap does not allow access to enough local revenue to pay for underfunded or unfunded state mandates.**

Mandated programs and services ranging from special education to local professional development committees (LPDCs) have resulted in significant costs to local districts. In fact, the increase in the mandated Teachers Health Insurance Supplement alone cost our district about \$20 per student. State revenues for state mandates, however, has declined or been eliminated. For example, special education personnel reimbursement is still being funded at the 1985 level; funding for transportation is prorated at 72%, and state money for gifted education and LPDCs has been eliminated. If the state and federal governments cannot meet their obligations, school districts must turn to local taxpayers, yet the tax cap severely restricts access to revenues needed to operate these programs.

- **The tax cap does not allow districts to access rates that voters approved in referenda; it has effectively annulled the results of public elections.**

In a survey of our school districts, we discovered that most that had passed operating referenda, including my own, could not access the maximum tax rate that the voters approved in a public election. Imagine if your own elections were nullified! You would be outraged. So are we. If voters approve a maximum tax rate, districts should have access to it. In our regions alone, schools have lost tens of millions of dollars that the electorate had authorized.

- **The tax cap has resulted in increased borrowing, which in turn has proven more costly to taxpayers.**

Because the tax cap has restricted revenues, more school districts have to borrow money, both in the short term and long term. In fact, according to the State Board of Education financial profiles, even in the North Cook county region, 50% of the school districts are carrying significant long-term debt. When districts borrow money, they have to pay interest to bond holders. Taxpayers are the ones paying for this interest. We expect that taxpayers would choose to fund their local schools rather than pay the costs of interest on borrowed money to a large lending house located far beyond district boundaries.

**Despite these problems, our district, and all districts in our regions have instituted significant cost containment measures.**

For example, in Wilmette we have renegotiated phone services and long-term lease contracts, we pulled out our health insurance cooperative and negotiated an independent arrangement, consolidated transportation routes and refinanced long-term debt. Other districts have increased class sizes, out-sourced custodial and transportation services, cut staffing and even eliminated programs for children. In other words, we have found ways to be more efficient and effective. Given the continued lack of state funding, however, we are out of options, and the education of our students will soon be compromised. We respectfully seek your assistance in helping us help ourselves by revising the Tax Extension Limitation Law.

### **The Solutions**

- **First, we respectfully recommend that the legislature change the index for the tax cap from the consumer driven CPI index to the labor driven ECI index.**

Since education is a service industry and about three-fourths of the costs are labor related, common sense dictates that the tax cap be related to a labor cost index rather than one that is based on the cost of groceries, washing machines, and other consumer goods. At your seats, you will find an executive summary from Bill Wilson, the Senior Economist from Ernst and Young providing an informed rationale for this increase.

- **Second, we respectfully recommend that the legislature pass a bill that exempts certain state mandates from the tax cap.**

Last session, the Senate courageously passed SB 22, which provided relief for urgent and emergency health life safety repairs. We urge you to work with Governor Blagojevich and your colleagues in the House to have them pass this bill in the veto session. Moreover, because the underfunded state and federal special education mandates have resulted in significantly rising

costs, we respectfully request that the legislature exempt the special education levy from the tax cap. If the state and federal government cannot or will not meet their statutory obligation, local districts are forced to find a way to pay for these programs and services. Though we do not believe that local property taxes should pay for state and federal mandates, at this juncture, it is the only option and we seek your support in allowing us access to revenue to serve our most needy children.

Thank you for all you do to support the highest quality of public education. We stand ready to assist you in revising the Tax Extension Limitation Law in a manner which will fulfill the original intent of the law and allow districts access to local revenue to fulfill state mandates, reduce the amount of borrowing and access the fund rates that voters have approved.

Respectfully submitted,

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on behalf of

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