



December, 2011

GLEN ELLYN SCHOOL DISTRICT 41 | Tax Abatement FAQs

The Board of Education (BOE) has agreed to abate the portion of the tax levy for the Bond and Interest Fund, which is about \$2.7 million. This means that the real estate bills that are mailed in May 2012 will be less than they would be without the abatement.

What will the 2012 abatement mean for me? For a house with a fair market value of \$300,000 (assessed value of \$100,000), the amount the district share of taxes will be reduced is approximately \$190; for a house with a fair market value of \$600,000 (assessed value of \$300,000), the amount is approximately \$380. This reduction is not measured from last year's tax bill, but from what it would have been this year if not for the abatement.

Why do we have the ability to abate when times are so hard for school districts?

There are three main reasons for this. One is that the district cut about \$3 million from its 2009-2011 expenditures by reducing administrative staff, scaling back or delaying projects, staffing class sizes more closely to targets, and making other reductions that have helped to keep the district financially healthy. The district budgeted conservatively and took to heart warnings that state funding would be 70% of the amount it is entitled to; that funding came in late, but did come in. Finally, the BOE has decided that a 25% fund balance is desirable, and without abatement the fund balance, or reserve, would have been in excess of that percentage.

What is an abatement? The real estate tax process is complicated, with many moving parts. A simplified way to explain the abatement process is that before the tax bills are finalized, the district will tell the County Clerk that it declines to levy the amount designated in its Bond and Interest fund. The clerk then deducts that from the tax bills. Preparatory for the abatement, the district transfers funds from its reserves into the Bond and Interest Fund in the amount of the abatement so that it can pay its bond and interest obligation.

Why not just lower the request to begin with? Because the way the tax cap works is that if a district asks for less than it is legally entitled to, it is never allowed to make up those dollars should it need them in the future; and, the difference between what the district would have been legally entitled to request and what it is able to request becomes greater every year due to a negative compounding effect. Because the County Clerk levies the Bond and Interest Fund separately on behalf of the district, the district can abate that amount without compromising future revenues.

Why is it important to maintain the ability to levy all the district is entitled to? The administration believes the district has an obligation and a commitment to provide an excellent education to the community's children. It cannot anticipate what future needs may be, particularly in the areas of mandated (required) programs and services such as bilingual or special education. The district is also anticipating a number of substantial expenditures in the future; for example replacing roofs, upgrading technology and providing a 21st century learning environment and curriculum. By preserving its levy ability, future boards of education will have needed flexibility to effectively address known and emerging needs.