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Budgets crunched in county: Taxing bodies collecting less as property values plummet

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Plummeting property values are lowering the ceiling on how much property taxes local taxing bodies can collect, often leading to less money in crucial funds, forcing cuts or leading governments to look for revenue in other places.

District 12 in Johnsburg struggled with its finances for years before it hit the ceiling on its education fund this year, which contributed to the elimination of the equivalent of 14 full-time teaching and administrative positions. More cuts are on the table as it moves through its budgeting process.

Despite this, the School District 12 Board expects to run a deficit in its education fund and the district will need to borrow to get through the year, Superintendent Dan Johnson said.

The city of Harvard had to cut 20 percent of its workforce over the past several years, leaving its public works department with three employees.

"[Public works] wasn't doing anything," City Administrator David Nelson said. "We were just maintaining. We were just fixing when things break. You can do that in the short run, but you can't do that forever."

How much money most taxing entities receive each year is governed by two tax caps.

One limits the overall amount governments – those that don't have home-rule authority like the cities of McHenry and Crystal Lake do – can raise their property tax levy to inflation plus new growth.

Another limits the maximum tax rate of individual funds within a levy – like police protection, road and bridge, and even the main corporate or education funds – tying the maximum amount the entity can levy to a percentage of property values.

More than a quarter of McHenry County's 117 taxing bodies have reached the maximum tax rate in one or more of their funds.

Of the 11 entities that hit the cap this tax year, five were school districts. The others included a community college, a library district, a township and two municipalities.

This means that entities are oftentimes collecting less in these funds, which can present a budgeting dilemma, especially for governments that only have one fund.

The village of Lakemoor will bring in 9.33 percent less in property taxes, which is on par with the drop for the Marengo Rescue Squad.

Both government units only have one fund, and although property taxes made up 90 percent of the rescue squad's revenue last fiscal year, it accounted for less than 20 percent of Lakemoor's revenue, according to annual financial statements submitted to the Illinois Comptroller's Office.

Other revenue streams are starting to recover. The state unexpectedly – at least for most school officials – came through with money it was supposed to have paid school districts several years ago. Sales and income tax revenue is rebounding.

Some governments also had savings to fall back on.

McHenry's District 15 hit the maximum tax rate in four of its funds – including education, building, working cash and special education – this tax year, but that shouldn't force any cuts this year, said Mark Bertolozzi, the district's chief financial officer.

"We should be OK," he said. "It's something that over time could be an issue for us, but for one year, that

should be OK."

The city of Harvard also relied on its savings for a while, but because it hit the maximum tax rate several years ago – its main corporate fund in 2010 – it has spent down those reserves, forcing the City Council to make cuts.

"They went ahead and made those difficult decisions," Nelson said. "It wasn't an easy thing and it wasn't a pleasant thing, but they did what they had to do."

At least one local government unit is trying another tack.

The McHenry County Conservation District asked the state Legislature for the ability to raise its statutory maximum tax rate for its corporate fund, which accounts for 97 percent of the non-bond property tax revenue it brings in. The bill, which would allow the district to take the question to voters, made it through the Senate but has stalled in the House.

"When things are difficult, we are making changes," Executive Director Elizabeth Kessler said. "We are reducing, reusing, reutilizing. That's not just in the natural resource sector; that's how we balance our budget."

Without an increase, the conservation district would see its revenues shrink by \$2 million over the next five years, and eventually be forced to close sites during the winter, put off resurfacing trails and do less landscaping, Kessler said. By law, the district is not allowed to sell its land.