

District 303



Understanding the District 303 Tax Levy

Summary

District 303 values fiscal responsibility and recognizes the importance effective budgeting has on the support we provide students and staff, as well as its impact on our community stakeholders. The following frequently asked questions are intended to offer clarity on the tax levy set by the District, the tax rate set by the County, and the varying impacts on taxpayers.

What is a tax levy?

A tax levy is a request made by a taxing body (e.g., school district, park district, city) for funds that are needed to operate the organization for one year. Each year, the taxing body creates a tax levy and submits it for approval by its respective governing board. In the case of St. Charles CUSD 303, the tax levy is prepared by administration annually, reviewed by the Board of Education in October and November and—in accordance with Illinois law—approved at December Board meetings. For school districts, the levy consists of requested dollar amounts for each individual operating fund and in an aggregate amount.

What is a tax extension?

While the tax levy is the request to the county from the taxing bodies, the tax extension is the final calculation that is included on property tax bills. The total tax extension is the product of the property value within school district boundaries (also known as “equalized assessed valuation”, or “EAV”) multiplied by a calculated tax rate. The County Clerk calculates the tax rate needed to raise the revenue certified by the school district. Additionally, the total extension often is lower than the tax levy adopted and submitted by the school district since the county must reduce the revenue request to the limits dictated by Illinois law.

Does the school district set the tax rate?

No, the school district’s tax levy is submitted to the county in whole dollars. The same is done by the other taxing bodies in the community. The tax rate is calculated by the county once the school district’s allowable tax levy and total EAV within the district are known.

Does the school district always receive the property taxes it requests in the levy?

No, the district is subject to the Property Tax Extension Limitation Law, commonly referred to as “PTELL” or the “tax cap”. PTELL limits property tax increases to the **lesser of 5.0% or Consumer Price Index (CPI)**. If the school district submits a tax levy greater than 5.0%, the county will reduce it to the allowable level prior to extending the taxes to the community.

Why would the school district submit a levy that is higher than the allowable increase?

This is a common practice for taxing bodies and is due to several unknown pieces of information at the time of the levy: (1) the final tax rate, (2) new construction within the district, and (3) final EAV within the district. The school district asks for more than it expects to receive to protect itself from fluctuations in these unknown factors.

The Board is discussing a 2023 operating tax levy that includes a 6.76% increase over last year. Will my taxes increase by 6.76%?

No, there is not a one-to-one correlation between the requested tax levy increase and the increase to property tax bills. If the school district approves a 6.76% increase, that increase is on the total dollar amount requested by the district, not on individual property tax bills.

For example, if the school district requested \$100 million in Year 1 and \$105 million in Year 2, that would be a 5.0% increase on the tax levy. That does not mean, however, that property tax bills will increase by 5.0%. The actual distribution of the property taxes is dependent on a number of factors that are out of the school district's control, including:

- **The change in your property's assessed value as compared to other properties** - The rate of change in property value for individual properties will cause a shift in the tax burden. If your property's value increases at a rate higher than those around you, your property value will represent a larger portion of the total property value in the district. Therefore, you would be responsible for a larger portion of the total tax extension. The inverse is also true- if your property's value increases at a rate slower than those around you, your property value will represent a smaller portion of the total property value in the district, and you would be responsible for a smaller portion of the total tax extension.
- **Changes in the proportions of residential, commercial, and industrial properties** - If the values of commercial properties (e.g., retail stores or restaurants) increase at a higher rate than residential properties, homeowners' share of the tax extension will decrease as the taxes are shifted to those commercial properties.

Why can't the school district tell me how this will impact my individual property tax bill based on my assessed value (e.g., a typical \$400,000 house will see an increase of...)?

The district's tax levy is only one of several components that contribute to the final property tax calculation. Once the school district approves the levy in whole dollars, the county calculates the distribution of taxes to individual taxpayers, and as mentioned in the previous question, there are several variables beyond the school district's control that contribute to that distribution calculation. As a result, you may experience a property tax increase that is higher or lower than your neighbors, or you may not see any change to your taxes.

Additionally, each property and tax bill in the community include a variety of exemptions (e.g., the homestead or senior exemptions) that significantly affect the final

calculation of property taxes. Kane County has a [sample tax bill](#) available on its website to assist community members with reading and understanding the various components of the annual property tax bills

Why do my taxes need to increase at all? Why doesn't the school district lower its tax levy?

District 303's mission is to provide a certain level of education for its students that parents and the community expect. The ability to meet those expectations is in large measure based on having future property tax revenues available to pay for necessary programs and opportunities for students. In the 2023-24 budget, property taxes account for nearly 84% of the school district's total revenue, and any decrease or reduction to property tax revenue would limit the school district's capacity.

Recent years have presented additional challenges with increasing inflation and supply chain shortages. Inflation grew rapidly from 1.4% in 2020 to 7.0% in 2021, and inflation decreased only slightly in 2022 to 6.5%. However, many essential operational costs, such as facility maintenance and student food costs, increased beyond the reported level of inflation. The school district has continued to look for ways to reduce expenses in the budget, but with staffing costs (salaries and benefits) accounting for 78% of the total budget, the "discretionary" spending on supplies, equipment, and contractual services is limited already. At the same time, the school district is looking very closely at the budget for continued cost reduction opportunities.

Additionally, the district's ability to levy taxes is calculated on the previous year's tax extension. If the school district reduces its levy for even one year, that revenue will be lost to the school district every year and will continue to compound forever, with the exception of limited circumstances.

Why doesn't the school district use its fund balance?

Although District 303 has some fund balance in its major funds, the funds are needed for cash flow purposes during the school year to avoid the need to take on short-term debt (loans) to pay staff and monthly bills. Similar to a personal savings account, a fund balance reserve also enables the school district to handle unexpected emergencies, such as installing a new boiler in the middle of winter, and can be used to fund significant capital and maintenance needs facing

the school district. At the same time, the school district continually searches for every possible revenue source, such as state and federal grant programs.

How well have the school district's finances been managed?

The School Board has maintained a commitment of responsible fiscal stewardship for the community. District 303 has continued to maintain the highest designation of 4.0 on the Financial Profile rating from the Illinois State Board of Education. Additionally, sound financial planning has helped the District maintain its AA+ bond rating, the second highest ranking for credit worthiness from Standard and Poor's.

The Board and administration continually look for options to tighten the budget and significantly limit "new" spending. Budgeting strategies that require an analysis of projected annual spending (rather than a simple rollover from year-to-year), such as zero-based budgeting, are implemented in several of the largest areas of the budgets, including personnel, utilities, and capital improvements. The school district reinforces and follows strict purchasing procedures to ensure the lowest-cost options are considered in all major spending categories. Additionally, the school district routinely explores options to reduce costs of existing services without sacrificing the opportunities and experiences provided to students.

More resources:

[Kane County Clerk Tax Extension Page](#)
[IASB Understanding School Finance Guide](#)
[Illinois PTELL Manual](#)
[Illinois Tax Rate and Levy Manual](#)
[Illinois Department of Revenue](#)