

JOINT WEBINAR

School Finance and Property Taxation in the Time of the Coronavirus

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Coverage

- Timing of tax payments
- Short Term borrowing
- Interfund transfers and loans
- Federal and State funding
- COVID-19 and property taxation

Timing of Tax Payments

- In Cook County, can we count on August 1st second installment date?
- Outside Cook, June and September payment dates?
- What happens with widespread non-payment?

Short-Term Cash Flow Borrowing Alternatives

1. Tax Anticipation Warrants
2. Lines of Credit
3. State Aid Anticipation Certificates
4. Personal Property Replacement Tax Notes
5. Revenue Anticipation Notes
6. Lines of Credit – Revisited
7. Teacher Orders

Tax Anticipation Warrants

- Section 17-16
- Issued in anticipation of taxes levied but not yet collected
- Fixed Maturity Date
- State Law Formula

State Law Formula

$$\frac{\begin{array}{l} \text{Lesser of (a) Equalized Assessed Valuation} \\ \text{x Fund's Maximum Tax Rate or} \\ \text{(b) Actual amount levied for Fund} \\ \text{(likely use (b) in PTELL districts)} \\ \text{x 85\%} \end{array}}{\begin{array}{l} \text{(Outstanding TAWs)} \\ \text{(Cash in WCF)} \\ \text{(\$ loaned to fund from WCF)} \\ \text{Authorized Issue Size} \end{array}}$$

Lines of Credit

- Section 17-17
- “In lieu of issuing tax anticipation warrants...”
- Authorizes issuance of “notes, bonds or other obligations” (and in connection with that issuance establish a line of credit)
- Up to 85% of the amount levied for Ed, O&M, Transportation or other tax levy
- Must be repaid within 60 days of receipt

State Aid Anticipation Certificates

- Section 18-18
- Anticipates general state aid payments
- Mature within 13 months
- Payable solely from state aid payments
- Amount borrowed cannot exceed 75% of state aid to be received for balance of the fiscal year
- SAACs & TAWs & TANs cannot exceed 85% of taxes levied for that year
- Can borrow 100% of July payment, but repay by August 1
- Must notify regional and state superintendents

Personal Property Replacement Tax Notes

- Tax Anticipation Note Act (50 ILCS 420/4.1)
- May be issued to anticipate PPRT for the current and next two calendar years
- Payable solely from PPRT
- Amount borrowed, including principal, interest and costs of issuance, cannot exceed 75% of PPRT entitlement for the year
- Entitlement certified by Illinois Department of Revenue
- Mature within 24 months
- Supported by an unlimited property tax; therefore not very useful for PTELL districts

Revenue Anticipation Notes

- Revenue Anticipation Act (50 ILCS 425/1 et seq.)
- Issued in anticipation of revenue from a reliable source (85% of amount anticipated)
 - Federal aid
 - State revenue sharing (including general state aid)
 - Local fees
- Mature within 12 months of issue
- Payable solely from the anticipated revenues
- 2/3 vote required

Lines of Credit — Revisited

- Section 17-17 (a-5)
- In lieu of issuing RANs or SAACs
- Authorizes issuance of “notes, bonds or other obligations (and in connection with that issuance establish a line of credit)
- Up to 85% of the revenues due in current fiscal year AND (if anticipating revenues due in next fiscal year) up to 50% of the revenues due in current fiscal year
- Must be repaid from anticipated revenues within 60 days of receipt

Teacher Orders

- Section 8-16
- Issued to pay wages of teachers when no money in Ed Fund
- Bank agrees with District to accept orders at a rate established by the board
- No fixed maturity date
- Funding bonds often used to pay

Interfund Loans

- Section 10-22.33
- From ed to O&M, transportation, or life safety
- From O&M to ed, transportation, or life safety
- From transportation to ed, O&M, or life safety
- Must be repaid within 3 years

Use of Working Cash Fund

- Working Cash Fund Transfers
 - By Board resolution
 - In anticipation of property taxes or CPPRT
 - Up to 85% of amount extended or to be received
 - Reimburse upon receipt of the property taxes or CPPRT
 - Must be transferred to the Ed Fund to avoid the issuance of TAWs

Use of Working Cash Fund

- Working Cash Fund Abatements
 - To the Fund “most in need”
 - A permanent transfer
 - Leave at least one year’s levy in the WCF
- Working Cash Fund Abolishment
 - To the Ed Fund
 - At June 30
 - Can re-create the next fiscal year

Interfund Transfers

- Section 17-2A
- Authorized by Board resolution among the ed, O&M and transportation funds
- A permanent transfer
- Public hearing required
 - 7-30 days published notice
 - 48 hour posted notice

Transfers of Interest Earnings

- Local Government Debt Reform Act Section 9(c)
- By Board authorization to fund most in need of the interest
- Does not apply to:
 - Interest that has been earmarked or restricted by the School Board for a designated purpose
 - Interest on IMRF levy
 - Interest on tort immunity levy, tort immunity bonds or debt service levy to pay tort immunity bonds

State Funding

Commission on Government Forecasting and Accountability (COGFA)
Revenue Est. Based on Past Economic Downturns

FY2001-2003 Downturn (5.7% decrease)

- General Revenue Fund would decline by \$2 billion

Great Recession (11% decrease)

- General Revenue Fund would decline by \$4.5 billion

“COVID-19 Recession” (20% decrease)

- General Revenue Fund would decline by \$8 billion over several years

Federal Funding

- \$30.75 billion for 'Education Stabilization Fund'
- \$13.5 billion to K-12 education
- 90% to be distributed to local educational agencies based upon proportional allocation of Title 1-A funds

Federal Funding

- Remaining 10% to be spent for emergency needs at discretion of Governor
- Such as:
 - Planning & coordinating for LT school closures
 - Purchasing ed tech to support online learning
 - Additional activities authorized by federal education laws

Federal Funding

- Additional \$3.0 billion for Governors to distribute in their discretion to support LEA's and IHE most impacted by the coronavirus
- Question: how to access all this money?...
Good question

COVID-19 & Property Taxation

- 2020 South Cook reassessment
 - Process has been halted
 - Assessor closed to the public
- Non-reassessment jurisdictions
 - Expect higher appeal volume
- CCBOR winding down 2019
- Other county BOR's completed

COVID-19 & Property Taxation

- What we are hearing from appraisers:
 - ‘Train wreck’ in hospitality & hotels
 - Industrial not impacted for now
 - Unlike 2008, lots of liquidity/banks are lending
 - For the highly leveraged, could be trouble
 - Depends on duration of this event

COVID-19 & Property Taxation

- More from appraisers:
 - Investors are concerned about Cook County
 - Lake and Will Counties face cross border competition
 - DuPage best positioned to weather the storm
 - Many restaurants and bars will not survive
 - Class B & C shopping malls face possible shutdowns

COVID-19 & Property Taxation

- More from appraisers
 - Retail stores such as grocery stores are booming
 - Remote working and online shopping will only increase going forward - this will result in decreasing value of office buildings and increasing value of warehouses.
 - It will take the rest of 2020 to work through the current shock
 - Every property will have a different story

Extraordinary Assumption

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a global health emergency on the 30th January 2020, is causing heightened uncertainty in both local and global market conditions. As the outbreak develops, cases are progressively being detected around the world and significantly impacting global financial markets and travel.

The effect COVID-19 will have on the real estate market in the region is currently unknown and will largely depend on both the scale and longevity of the outbreak. At this stage Tourism, F&B and Retail sectors will be the first impacted, due to the increased response by local and global authorities including home quarantine, restriction of travel and growing concern. A prolonged outbreak could have a significant (and yet unknown or quantifiable) impact on other sectors of the property market. Our valuation is based on the information available to us at the date of valuation.

Given the heightened uncertainty, a degree of caution should be exercised when relying upon our valuation. Values, and incomes, may change more rapidly and significantly than during standard market conditions and we recommend that you keep the valuation of this property under frequent review.

COVID-19 & Property Taxation

- What we are hearing from taxpayers:
 - Clients are very nervous
 - Tenants impacted most by the shutdown will not be paying rent
 - Many tenants will seek rent concessions
 - The fear comes from uncertainty

Your Questions



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