CHICAGO PUBLIC SCHOOLS
PUBLIC HEARING
TRUTH-IN-TAXATION
held on
October 10, 2017

STENOGRAPHIC REPORT OF PROCEEDINGS
had in the above-entitled matter at 42 West
Madison Street, Garden Level, Board Room,
Chicago, Illinois, commencing at 10:40 a.m.
MR. FRANK CLARK, presiding.

BOARD MEMBERS PRESENT:
MR. FRANK CLARK, President
MR. JAIME GUZMAN, Vice President
MR. MARK FURLONG
DR. MAHALIA HINES
MR. ARNIE RIVERA
MS. GAIL D. WARD

Reported By: Karen Fatigato, CSR
License No.: 084-004072
ALSO PRESENT:

MR. FORREST CLAYPOOL, Chief Executive Officer
MR. RONALD MARMER, General Counsel
ESTELA BELTRAN, Secretary to the Board
(Whereupon, the following proceedings commenced at 10:40 a.m.)

SECRETARY BELTRAN: Thank you, Mr. President. Before you begin this hearing, I would like to introduce Jadine Chou, Chief of Safety and Security, she will give a brief safety announcement. Jadine.

MS. CHOU: Good morning, everyone, my name is Jadine Chou, and I'm the Chief of Safety and Security for Chicago Public Schools. On behalf of all of us, I'd like to welcome you to this morning's Board hearing. Before we start, I want to quickly share some safety announcements to ensure the safety of all of our attendees today.

In order to maintain a safe environment, we ask that everyone keep all of the aisles and exits clear. The primary exit and entrance are to my right, the door that you entered when you came through this morning. If you are leaving the room as a matter of course, please use this exit.

In the event of an emergency and we
need to vacate room, you will hear an alarm, please remain calm and promptly move to exit the room. In addition to the primary exit on my right, there are also two emergency exits for your use, one behind us to the left and one behind us to the right.

During the meeting if you should need any emergency special assistance, please wave the attention of one of our security officers and they will come to your aid. And we will have CPD and emergency responders who will be available to assist you in the event of an emergency.

At CPS safety is always among our highest priorities, and we want to thank you again for joining us today.

SECRETARY BELTRAN: Thank you, Jadine.

Mr. President, we are now ready for you to begin the hearing.

PRESIDENT CLARK: Good morning, ladies and gentlemen, welcome. I'm Frank Clark, and on behalf of my fellow Board members, I want to thank you for coming today.

The purpose of this hearing is to
comply with the provisions of the Property Tax Code related to Truth-In-Taxation.

Madam Secretary, please state for the record the notice procedure for this hearing.

SECRETARY BELTRAN: Thank you, Mr. President.

Notice of this public hearing was published in the Chicago Sun-Times, a newspaper of general circulation in the City of Chicago, on October 3rd, 2017 and posted on the CPSBOE.ORG website on October 3rd, 2017. I will now read into the record the public notice as published.

Notice of Proposed Property Tax Increase for the Board of Education of the City of Chicago, commonly known as Chicago Public Schools.

I: A public hearing to approve a proposed property tax levy increase for the Board of Education of the City of Chicago, commonly known as Chicago Public Schools, for the Fiscal Year beginning July 1, 2017 and ending June 30th, 2018, Fiscal Year 2018 will be held on October 10th, 2017 at 10:30 a.m. at the
Chicago Public Schools Loop Office, 42 West Madison Street, Garden Level, Board Room, Chicago, Illinois, 60602. Any person desiring to appear at the public hearing and present testimony to the taxing district may contact Estela Beltran, Secretary to the Board, Office of the Board, either by mail at One North Dearborn, Suite 950, Chicago, Illinois, 60602 or by telephone at (773) 553-1600.

II: The corporate and special purpose property taxes extended or abated for the Fiscal Year commencing July 1, 2016 and ending June 30, 2017, Fiscal Year 2017, were $2,704,467,362. The proposed corporate and special purpose property taxes to be levied for FY2018 are $2,928,997,271. This represents an 8.3 percent increase over the previous year.

III: The property taxes extended for debt service and public building commission leases for FY2017 were $53,659,111. The estimated property taxes to be levied for debt service and public building commission leases for FY2018 are $53,175,648. This represents a 0.9 percent decrease over the previous year.
IV: The total property taxes extended or abated for FY2017 were $2,758,126,473. The estimated total property taxes to be levied for FY2018 are $2,982,172,919. This represents an 8.1 percent increase over the previous year.


Chicago Board of Education. By: Frank M. Clark, President. And attested by Estela Beltran, Secretary. Thank you.

And for the record, Mr. President, I would now like to note the Board members that are present here today.

And we have Member Furlong?

MEMBER FURLONG: Present.

SECRETARY BELTRAN: Member Rivera?

MEMBER RIVERA: Present.

SECRETARY BELTRAN: Vice President Guzman?

VICE PRESIDENT GUZMAN: Present.

SECRETARY BELTRAN: Member Dr. Hines?

DR. HINES: Present.

SECRETARY BELTRAN: Member Ward?

MEMBER WARD: Present.
SECRETARY BELTRAN: And President Clark?

PRESIDENT CLARK: Here.

SECRETARY BELTRAN: Six members present, there is a quorum.

And I would also like to recognize Forrest Claypool, our CEO, and Ronald Marmer, our General Counsel. Thank you.

PRESIDENT CLARK: Thank you very much, Madam Secretary.

Let's begin with the Truth-In-Taxation presentation. Walter Stock I believe is going to be doing that.

MR. STOCK: Thank you, President Clark.

So as we have stated here earlier, the purpose of this hearing today is CPS is proposing a tax increase that's greater than 5 percent of the previous year's property tax extension and state statute requires us to hold this public hearing.

So the corporate and special purpose property taxes as they were for last year have been stated into the record as well. They were $2,704,000,000, and the proposed extension for
this year is $2,929,000,000, and this represents an increase of 8.3 percent.

So if we go a little bit deeper and we talk about the increase in the property taxes, we can take that down into three components, they're the capital improvement tax levy, they are the existing property taxes underneath the tax cap, PTELL, and they are the increases in the teacher pension levy.

The capital improvement tax levy is an increase of approximately $3.6 million. We started levying this tax in 2016, and we continue levying it every year and increasing it at the rate of inflation. It's outside the tax cap, it does not reduce our ability to levy additional taxes for operating purposes. And these moneys are primarily used for building improvements.

The next category is raising the property taxes underneath the tax cap, underneath PTELL. This is approximately a $67 million increase. And the law again let's us increase taxes every year. We're limited by the rate of inflation, the lesser of the rate of
inflation or 5 percent. And if we get to produce a new levy, according to that calculation, every year we've looked at the ability to do this, and we've increased property taxes in 26 of the last 27 years, 23 were attributable to PTELL. And again, that's a $67 million increase.

The remaining increase is for the teacher pension levy, and this represents an increase of approximately $154 million. So of that $154 million you can break it down into two ways. $138 million is attributable to a new law that was approved in Springfield earlier this year. We now have the ability -- we have a fixed rate, and it was at .383 percent, and we now have the ability to go to .567 percent, so that's the $138 million. And the resulting -- the remaining 16 million is inflationary growth on the levy as it was last year without the new increase.

I have a further breakdown of the teacher pension property tax levy on the next page. We're citing here the laws that were signed into effect. So the .383 has only been
in effect since June of 2016, so really this year was our first year we started to collect that. And then again, as I stated, we had a new law that was passed and that increased the .383 up to .567. So again, as I said, this is $154 million increase.

The box down below I think is important also to recognize. We talk about what the required Fiscal Year 18 employer contributions to the CTPF will be. The actuarial calculation is a $784 million contribution. We also have State contributions coming in there. We have a $12 million typical State 2.2 contribution that we call it. And then the new FY18 normal cost payment that the State will also contribute of $221 million. So that's $223 million that the State will bring to the table for the pension contribution.

And then we have the pension levy in totality, so not only the increase that we have for this year, but the existing that we started to levy last year. So in total the levy will be $425 million, but we expect that it will be $405 million collected by the time a loss collection
is taken into consideration. So the remaining amount that CPS then will contribute from other resources, such as, our basic GSA and our ED levy, will be $146 million, and that will be the composite of all the contributions that we'll make this year to the teachers' pension fund.

And then on the next page here's another additional breakdown of the property tax increase for the FY18 levy. So we start at the box up at the top, we have a breakdown of the three main fund purposes which total the total extension of the 2,704,000,000 of the tax cap funds, the capital improvement tax and teachers' pension levy.

And then on the lines below we have the proposed 2018 levy. And again, as we stated on the previous pages, we have the $67 million increase for inflation and new property. And then we have the capital improvement tax of the additional 3.6, and then the teachers' pension levy of 154. So the totality over last year, again, 2,929,000,000, and it represents the 8.3 percent increase.

So wrapping up, I have one last page,
and this is the tax impact to an average home with a value of $250,000 for Chicago residents. So the increase overall is $177. And it can be broken down into the three parts, so the inflationary growth of CPI would be $43. The capital improvement tax would be $3. And the teachers' pension would be $131.

So I think in closing here, I think two important points on the bottom of this slide are just to say that we have increased taxes in recent years, it's primarily been to inflation, recently the capital improvement tax and now the pension levy. And overall last year we don't know, where it will end up this year, but it should be fairly close. In 2016 David Orr's office at Cook County, he does an independent assessment and report of overall composite tax rates of all of Cook County, and the Chicago composite tax rate, which CPS is roughly half of that, was at 7.145 percent, and that was the lowest rate in Cook County.

PRESIDENT CLARK: Board members, questions?

Just, Walter, before you leave, of the
200 plus billion dollars net increase, about 70, 75 percent of that is all going directly into, I mean, directly into the teachers' pension fund, is that correct?

MR. STOCK: Yes, that's correct. So the money is levied by CPS, it's extended by the county, collected by the Treasurer's office and then distributed directly to the teachers' pension fund. It's not commingled with any of CPS other money, it goes directly to their bank account.

PRESIDENT CLARK: It's not going to drop any dollars, there's a small amount, a couple million, that appear to be going for capital improvements, but the vast bulk of this is all going directly into paying the teachers' pension fund obligation?

MR. STOCK: That's correct. If we look at the three main breakdowns of where the tax increase comes from, the lion's share is a result of the pension money.

PRESIDENT CLARK: Thank you very much. Now, let's proceed with today's public comment segment. Madam Secretary, please share
the rules for public comment.

SECRETARY BELTRAN: Thank you, Mr. President.

For the record I would like to note that registration for the public hearing was held between the hours of 9:00 a.m. and 10:00 a.m. this morning. Individuals who registered to speak will have 2 minutes to comment, and I will call the speakers in order of registration. This hearing will conclude after the last person who has signed in to speak has spoken or at 11:30 a.m., whichever occurs first.

When called, please state your name. And I will proceed by calling the first speaker. Our first speaker, Mr. President, will be speaker number 1 please, Yvonne Johnson, followed by speaker number 2, Carol Coker, speaker number 3, Melvin McGrew and speaker number 4, Verlene Hill.

Please state your name.

MS JOHNSON: Hi. Good morning, everyone, my name is Yvonne Johnson, and I am a proud parent of an alumni that graduated from Noble Charter School, Johnson College Prep, in
Englewood. I think you remember me talking about my son, he's a sophomore now at Northwestern University, and he's doing well.

PRESIDENT CLARK: Good.

MS JOHNSON: I am here because the charter schools have been deeply underfunded for years, and we're so excited that the budget of CPS has taken a big step toward treating the public schools fairly. It is my hope that the charter schools get the right sources -- resources that they need for our kids to be successful.

I do appreciate working with Chicago Public Schools, and I do appreciate that -- what they have done for the budget, as well as me working right beside them. I hope that the Chicago Public Schools continue to work with the charter sector in supporting our students and to do the right things with our kids.

I want to remind you or let you know, keep you posted, that he's working three jobs. He's tutoring some grade kids at a grade school. He's also life guarding. And he's doing some production work up there at Northwestern.
PRESIDENT CLARK: Sounds like a model for what we want all of our young people to be doing.

MS. JOHNSON: Thank you so much.

SECRETARY BELTRAN: Thank you, Ms. Johnson.

And our next speaker please, Carol Coker.

MS. COKER: Good morning, my name is Carol Coker, and I'm actually here for the fairly budget funding. And it is my hope -- it is my hope that all kids get funded equally and that our kids will be able to attend all schools and everyone gets budget funding -- fairly.

PRESIDENT CLARK: Thank you very much.

SECRETARY BELTRAN: Thank you, Ms. Coker.

Our next speaker please, Melvin McGrew.

MR. MCGREW: Hello and good morning, I'm here today on behalf of Butler College Prep. I am here because charter public schools have been deeply underfunded for years. We're excited that there is a budget and that CPS has taken a big step towards treating all public
school students fairly. It is my hope that we can all continue to work together hand in hand for the benefits of all the children and the communities that they reside in.

I appreciate the work CPS has done to get to this budget, and I was right alongside you fighting for SB 1947 to pass. I hope that CPS continues to work with the charter sector, support our students and do right by our kids. And thank you for giving me an opportunity to speak.

PRESIDENT CLARK: Your very welcome.

SECRETARY BELTRAN: Thank you, Mr. McGrew.

And our last speaker, Mr. President, Verlene Hill, please.

MS. HILL: Good morning, my name is Verlene Hill, and I'm the parent -- I am a parent of a senior at Hansberry College Prep located on the south side of Chicago. And I'm here on behalf of Hansberry, as well as other Noble schools to speak on fair funding for our children, equitable funding and that we do get the same as Chicago Public Schools. Thank you.
PRESIDENT CLARK: You're welcome.

SECRETARY BELTRAN: Thank you, Ms. Hill.

Mr. President, this concludes the public comment segment.

PRESIDENT CLARK: Any comment or reaction from any Board member?

Well, seeing none, this will conclude our Truth-In-Taxation hearing. Thank you, all.

(Whereupon, the proceedings concluded at 10:58 a.m.)
STATE OF ILLINOIS  
)  
COUNTY OF COOK  
)  
  
Karen Fatigato, being first duly sworn, 
on oath says that she is a court reporter doing 
business in the City of Chicago; and that she 
reported in shorthand the proceedings of said 
public hearing, and that the foregoing is a true 
and correct transcript of her shorthand notes so 
taken as aforesaid, and contains the proceedings 
given at said public hearing.  

Karen Fatigato, CSR  
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