

Legislation (100th G.A.)

Springfield Update

After 2 ½ years of political impasse, and two weeks of brinksmanship during a Special Legislative Session, June 21 to July 6, the State of Illinois finally has a budget.

Between Saturday, July 2, and Thursday, July 6, the three-bill fiscal package was in quick succession approved by both the House of Representatives and the Senate, vetoed by Gov. Rauner and then, in turn, his vetoes were overridden by both Chambers, culminating in a final vote in the House.

The legislation enacted includes:

- **Senate Bill 9, House Floor Amendment 3/Public Act 100-0022** - A \$5 billion income tax increase, which raises the rate from 3.75 to 4.95 percent on personal income and from 5.25 to 7 percent on corporations. However, a proposed expansion of the state sales tax to several services was dropped from the final legislation;
- **Senate Bill 6, House Floor Amendments 2, 3 and 4/Public Act 100-0021** - A \$36.1 billion FY 2018 budget.
- **Senate Bill 42, House Floor Amendment 1/Public Act 100-0023** - A Budget Implementation Bill, or BIMP bill;

The FY 2018 spending plan detailed in SB 6 is approximately \$3 billion less than the \$39 billion state spent in FY 2017 through a mixture of court ordered spending, such as the mandate to pay state salaries, and targeted appropriations, such as for education and transportation projects. The new budget includes a 5 percent across the board for state agencies, and a 10 percent slash for higher education.

SB 42 includes provisions to deal with state's \$15 billion bill backlog, including issuing \$3 billion in bonds and borrowing and/or sweeping another \$3 billion from various dedicated state funds. In addition, paying down the state's Medicaid budget backlog would generate another \$2 billion in matching funds from the Federal government. It is anticipated \$8 billion of the \$15 billion arrearage could be eliminated through this plan.

Fifteen House Republicans joined 57 Democrats in support of the SB 9, the tax increase bill, in the initial vote. In the subsequent override, 10 Republicans and 61 Democrats provided the votes to push the total to 71, or 60 percent of members, the minimum number required to enact the bill into law. Many of the GOP legislators represent districts with public universities and other state facilities that have been negatively impacted by the ongoing budget impasse. In the Senate, the vote was less bi-partisan, with only one Republican joining 35 Democrats in passing/overriding the veto of the revenue bill.

SB 9 passed by a slightly larger bipartisan margin in the override vote, 74-37 in the House, and 39-15 in the Senate, while SB 42 was overridden with the minimum of 71 votes in the House and 36 in the Senate.

Impact on Local Governments

Local Government Distributive Fund – We are still analyzing the effect of the three bills on local municipalities. There were reports earlier this week that SB 42 included a 10 percent cut of the Local Government Distributive Fund, the local share of the state income tax. However, further review of the legislative language indicates that the impact may be less than first assumed.

LGDF payments should be accelerated starting in FY 2018 as they now will be directly deposited for municipalities, rather than being distributed through the current “check and voucher” system. The LGDF direct deposit has been long sought-after and should result in municipalities receiving their payments in a more timely manner.

In FY 2018, municipalities will receive 14 LGDF payments rather than 12. The 10 percent cut was inserted in SB 42 to partially offset the two accelerated payments. It is expected that the LGDF distributions received in 2018 should be equal to FY 2017 levels. Beginning in FY 2019, LGDF distributions will return to a 12-payment schedule.

However, it should be noted that none of the income tax increase would be applied to the LGDF. Factoring in the new taxes, the actual distribution to the LGDF, which was intended to be a full 10 percent of income tax collections when it was enacted in the 1970s, will now stand at approximately 6 percent of total personal – and 6.85 percent of corporate – receipts.

Personal Property Replacement Tax - SB 6 also continues the recent practice of diverting Personal Property Replacement Tax (PPRT) revenues intended for units of local government, for other purposes in the state. The estimates of the diversion range from \$200 million to \$300 million.

Also of significance were some of the things not included in the final package, including a property tax freeze. An attempt at a 4-year freeze, **Senate Bill 484**, was voted down by the House on June 28.

9-1-1 Legislation

In another recent development impacting municipalities during the Special Session, the General Assembly overrode the Governor’s amendatory veto of **House Bill 1811/Public Act 100-0020** bill, which will increase the per phone line charge from 87 cents to \$1.50 to underwrite 9-1-1 service in Illinois.

Senate Bill SB1335 (PENCD-DNST FIRE-SECONDARY EMPT)

This Bill amends the downstate firefighter article of the Illinois Pension Code. Requires a unit of local government that employs a full-time firefighter in a different downstate Firefighter Pension Fund to make specified contributions to that downstate Firefighter Pension Fund. I was instructed by the Board that there is a real problem on truly paying two legitimate pensions for the same employee if they are IMRF eligible. GCSI conducted meetings with the sponsor of SB1335 and determined that this legislation will not be advancing for now. The legislation will continually be monitored.

Capital and Grants:

Grants awarded in 2014, but not yet disbursed in the State of Illinois:

- 15 - 203343
- 14 - 203037
- 15 - 203046
- 14 – 203484

“Invest in Cook County” program, under Cook County Board applied for \$240K for the resurfacing of 84th Avenue from 159th Street to 171st Street.

CMS / Howe Property:

Monitoring the situation and conducted meetings with CMS, regarding the process and possibility of the Village acquiring the closed Howe Mental Hospital, that is located in Tinley Park.