

2018



RESTORE REDUCE RENEW



*Legislative
Program*

2018 NWMC Legislative Committee

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Dear Friend of the Northwest Municipal Conference:

The Northwest Municipal Conference (NWMC) is pleased to present you with our 2018 Legislative Program. The communities that comprise the NWMC continue to be great places to live, work and play; however, we continue to face ongoing and external financial challenges. In response, this year's program calls on Illinois lawmakers to reverse the trend of using local government revenues to help solve the state's budget problems, address pension fund inefficiencies and renew state capital investment.

In 2017, Illinois passed a full budget for the first time in two years. While the Conference repeatedly urged lawmakers to pass a balanced budget without taking local government revenues to fill the state's budget gap, over \$17.8 million was cut from the NWMC's forty-five members. As a result, our communities are again making the difficult choices of cutting more core services, reducing staff, raising local taxes and fees and deferring investment in critical infrastructure. After making significant local cuts in response to the 2008 recession, state lawmakers have only extended the pain.

The 2018 NWMC Legislative Program implores lawmakers to restore local revenues, reduce inefficiencies in our public safety pension systems and renew a commitment to infrastructure investment. We want to see our state lawmakers work as governing partners with us to address our common goals and improve the lives of our common constituents

As President of the Northwest Municipal Conference, I stand ready to work with our legislators to meet the challenges facing our communities and state.

Sincerely,

A handwritten signature in cursive script that reads "Harriet Rosenthal".

Harriet Rosenthal
President, Northwest Municipal Conference and
Mayor, Village of Deerfield

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RESTORE

Critical Local Government Revenues

For years, a major tenet of the NWMC's Legislative Program has been the protection of local government revenues. In 2017, and as the General Assembly continued to face increasingly difficult fiscal decisions, municipalities knew that it would be tempting for state lawmakers to look to local government revenues for relief. Last summer, when the state passed its first budget in two years and increased the state income tax, our communities were gravely disappointed that local government revenues were cut.

Despite the influx of new revenues resulting from the income tax increase, lawmakers cut nearly \$18 million from NWMC communities in this fiscal year alone. These cuts included diversions in Corporate Personal Property Replacement Tax (CPPRT) revenues from municipalities, schools and other local governments for the eighth consecutive year. Additionally, lawmakers voted to permanently withhold a portion of Home Rule and Non-Home Rule Sales Tax revenues as an "administrative fee" charged to local governments and taxpayers. Finally, the state budget contained a ten percent cut to the Local Government Distributive Fund (LGDF), one of the primary revenue sources for municipalities.

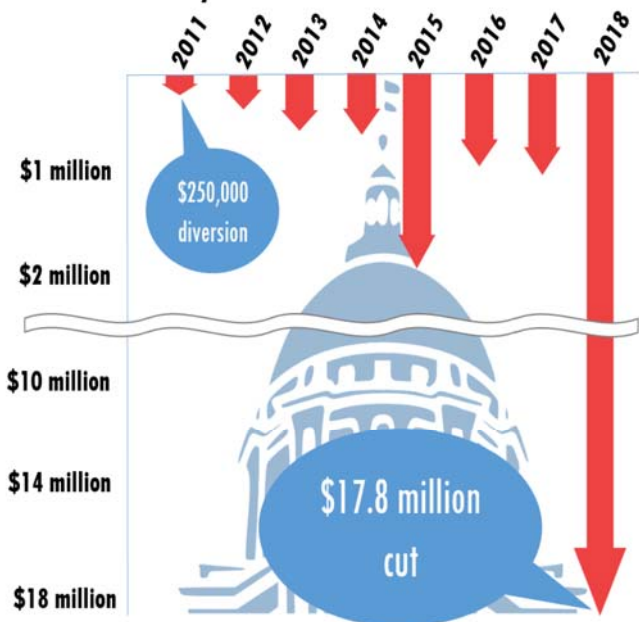
As the General Assembly begins this new year, how can local governments have confidence that this trend will not continue? The unfortunate history has shown that one time diversions turn into permanent and growing cuts. What started as a one-year \$250,000 diversion from CPPRT in 2011 has steadily grown over the years before ballooning to just under \$18 million in the state's FY2018 budget. The LGDF cut statewide totals \$121.6 million, with NWMC members losing \$12.6 million. With the state's fiscal health far from strong, the Conference fears that local governments will again be

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Critical Local Government Revenues

How the Illinois Budget Hurts Communities

History of State Cuts to NWMC Communities



Negative Outcomes for Communities and Taxpayers

Increased Property Taxes

Increased Fees

Staff & Service Reductions

Deferred Infrastructure Maintenance

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Critical Local Government Revenues

facing cuts as the General Assembly crafts its next budget.

Compounding the issue is that, mere months after passing a budget that cuts hundreds of millions from local governments, the General Assembly again attempted to override local control by imposing a property tax freeze. While the measure passed the House, it fortunately did not come to a vote in the Senate. This ongoing threat to local governments' most stable revenue source makes it extremely difficult for communities to balance budgets and responsibly plan a sustainable fiscal future.

By cutting local government revenues, state lawmakers have not solved, but instead transferred, the state budget crisis onto local governments and taxpayers. The NWMC has repeatedly warned about the damage cuts to local government revenues will do to communities. This is no longer a hypothetical exercise. The state has forced municipalities to grapple with whether to raise taxes and fees or cut vital services and personnel. Some NWMC communities will lose over \$1 million this fiscal year due to the state budget cuts.

Local Mayors and Village Presidents are dealing with the loss of revenues by making tough and painful choices for their communities. NWMC communities have been diligent in keeping property tax increases low and some have actually been reducing the municipal share of the property tax levy. Unfortunately, the state's budget has caused NWMC communities to enact larger than anticipated property tax increases. These increases are an indirect tax resulting from actions in Springfield. To minimize the direct burden on taxpayers, communities are also increasing fees, such as the cost of ambulance transport fees. Where additional local revenues are not

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Critical Local Government Revenues

enough to account for the state cuts, communities are further reducing staff or eliminating positions. After dramatic staff reductions resulting from the 2008 recession, additional cuts threaten the service levels that residents and businesses demand, and have already paid for. Finally, to balance local budgets, communities are deferring capital investments and maintenance. Again, these are not hypothetical actions. The 2017 property tax levies reflect the forced choices. Many communities just passed budgets that reflect higher fees and staffing cuts. These are only examples of the impacts so far. If reductions to state collected local revenues continue, local leaders will be faced with a new round of difficult choices.

What Can Our Lawmakers Do?

Restore state collected local revenues

The struggles forced on local governments in the state budget are real and bear significant consequences. In future state budgets, state lawmakers should restore local government revenues to their former levels.

Make the distribution of state collected local revenues continuing appropriations

To provide consistent revenue and stable critical services going forward, state lawmakers should make all state collected local revenues continuing appropriations.

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Public Safety Pension Inefficiencies

Eight years after the General Assembly passed Public Act 96-1495, the bill that created Tier 2 pensions, the Conference still finds itself talking about the burden of public safety pensions. Since the 2010 pension reform, NWMC communities have seen their public safety pension contributions increase over \$62 million (\$107 million in 2010 to \$169 million in 2016). This represents a 58 percent increase in contributions, a rate of growth that outpaces inflationary growth six-fold over the same time period. While contributions continue to grow at an unsustainable rate, funding rates for the average NWMC community hover under 60 percent. Our communities are facing approximately \$2 billion in unfunded pension liabilities. Eight years after the General Assembly enacted reforms, more needs to be done.

The NWMC fully recognizes the constraints the Illinois Constitution, as interpreted by Illinois Supreme Court, place upon pension reform. Our communities continue to meet the obligations for public safety pensions as directed by the General Assembly. This program contains no proposals to diminish pension benefits. Acknowledging that fact, we must also acknowledge that public safety pensions continue to weigh heavily on taxpayers and local budgets. At a time when the state has constrained local revenues, state lawmakers, in coordination with local partners, must work as diligently to reduce local pension costs.

The current system of managing the retirement security for the more than 33,000 Illinois active and retired firefighters and police officers is inefficient and therefore ripe for cost reduction. With more than 660 individual pension funds, the current system cannot take advantage of economies of scale. The result is a model of inefficiency with operational costs nearly four times higher per participant when compared with the

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Public Safety Pension Inefficiencies

Illinois Municipal Retirement Fund (IMRF). Instead of a single statewide board, taxpayers are footing a significant bill to train more than 3,000 pension board members. Furthermore, local pension funds lack the portfolio size, investment authority and expertise to ensure the strongest investment returns for their residents. If state lawmakers can address these issues, they will strengthen pension funds and reduce the burden on taxpayers.

What Can Our Lawmakers Do?

Begin the process of consolidating public safety pension funds by identifying the best option to reduce inefficiencies

Consolidation options exist. The Pension Fairness for Illinois Communities Coalition has examined a variety of consolidation models ranging from full consolidation into IMRF to partial consolidation of investments only. The next step is for state lawmakers to direct the Commission on Government Forecasting and Accountability (COGFA) to examine the multiple options to identify transition costs and anticipated savings from various consolidation options. The NWMC continues to believe that consolidation into IMRF, a model pension fund, will result in the lowest transition costs while significantly increasing investment returns.

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Local Infrastructure Investment

In 2010, the same year the state passed pension reform legislation, Illinois made a commitment to renew state and local infrastructure through the *Illinois Jobs Now* program. Eight years after that capital program, state infrastructure spending has significantly dwindled. Traditional transportation funding mechanisms in Illinois have lost significant purchasing power, and the Motor Fuel Tax (MFT) faces a declining future as vehicles become more fuel efficient. In its latest multi-year program, the Illinois Department of Transportation anticipates a significant increase in roadway miles categorized as backlog, meaning they are in need of immediate repair. If current patterns do not change, roadway miles categorized as backlog will grow from just over one-fifth (22.5 percent) of the system this year to over one-third (35 percent) of the system in 2023. Fifteen years ago, the backlog figure was less than 10 percent of the system.

Our residents are increasingly aware of the infrastructure challenges facing our state and communities. In 2016, voters overwhelmingly supported a constitutional amendment to protect transportation revenues from potential sweeps by state lawmakers. In doing so, they marked their commitment to infrastructure investment. Unfortunately, the current state budget reduced transportation spending in Illinois by \$303 million. The damage goes beyond roads. The lack of a state capital plan combined with a cut in the state subsidy for public transportation, the implementation of the two percent administrative fee on local transit taxes collected by the state and lower-than-projected sales tax collections have all contributed to less reliable funding for the region's transit agencies. For fiscal year 2018, this has resulted in fare increases for CTA and Pace and fare increases plus service reductions for Metra.

RENEW

Local Infrastructure Investment

The result of these cuts to state transportation spending is that local governments are taking another hit. As the state cuts local government revenues with one hand, it also cuts infrastructure spending with the other. Consequently, local governments are less equipped to face critical infrastructure challenges facing their communities. As this program has already mentioned, municipalities are deferring capital expenditures as a result of state cuts to local revenues. While NWMC communities want to be strong partners in building infrastructure that strengthens our state, revenue cuts force our communities to focus on maintenance rather than modernization.

The economic competitiveness of our state and communities is supported by world-class infrastructure. At a time when both the state and local governments should be targeting infrastructure investment to spur economic growth and create jobs, municipalities are instead forced to pull back. With a semblance of order restored to Illinois' finances, the state must turn its attention to making the necessary investments that renew our infrastructure. The state's economic competitiveness relies on it.

The unfortunate reality is that the state's infrastructure needs extend beyond transportation. Aging sewer and water infrastructure, especially in established communities, coupled with enhanced stormwater and watershed regulations continue to place a significant financial burden on many communities. Municipalities are being asked to do more from oversight agencies. Current state programs and statutes limit access to funding and low-interest loans. If municipalities are going to address capital needs, they will need creative help from the state.

RENEW
Local Infrastructure Investment

What Can Our Lawmakers Do?

Address critical infrastructure needs (roads, bridges, transit and water) through new investment in a state capital program

The state must develop a reliable source of revenue that can keep pace with system needs and renew our infrastructure. Maintaining and strengthening Illinois' role as a transportation hub is critical for the state's economic success. In addition, a capital plan will help ensure that Illinois has available matching funds for future federal infrastructure investment.

Enable local grants and low-interest loans for water and sewer projects

A multi-pronged approach of local grants through agencies like the Metropolitan Water Reclamation District (MWRD) and low-interest loans through the Illinois Environment Protection Agency (IEPA) can help alleviate the financial burden of aging and outdated sewer infrastructure.

-Notes-

-Notes-

Illinois Constitutional Officers

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NWMC Contact Information

The Northwest Municipal Conference is committed to working with our State and Federal elected officials to advance legislation that supports local government. Please feel free to contact us to further discuss the initiatives contained in our 2018 Legislative Program or any other issues that are of importance to local governments.

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About the NWMC

Founded in 1958, the Northwest Municipal Conference serves to strengthen communities and foster intergovernmental cooperation throughout the north and northwest suburbs of Chicago. Our membership of forty-four municipalities and one township represents over 1.3 million Illinois residents and covers over 300 square miles in Cook, DuPage, Kane, Lake and McHenry counties.

Our organization provides numerous services to our membership with a primary focus on three areas: legislative advocacy; transportation and environmental planning; and, operation of the Suburban Purchasing Cooperative (SPC).

The NWMC is registered as a 501(c)(3) not-for-profit organization and is primarily supported through membership dues, planning grants and enterprise revenues.

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