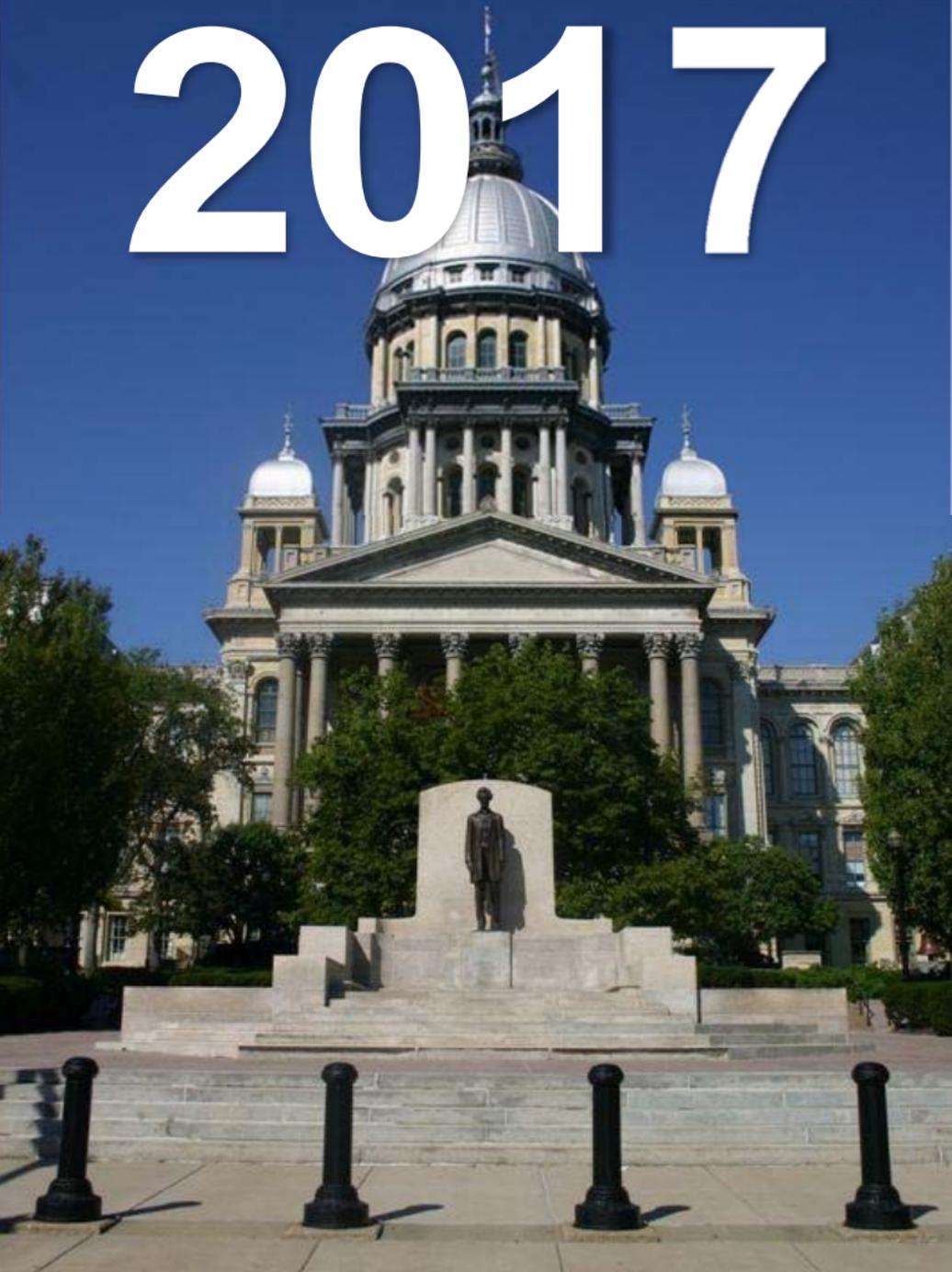


2017



Legislative Program

2017 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 2017 Legislative Program. As the state continues to operate without a complete budget, our communities continue to feel the negative consequences. While the state is held in a type of paralysis, moved forward by the occasional stopgap measure or court order, our local governments must still provide critical services to their residents. During the budget impasse, our communities have faced threats to freeze local revenue sources, unreliable revenue distribution from the state and the actual diversion of millions in local government revenues intended for our communities. These facts threaten Illinois' fragile economic recovery, lead to under-investment in critical infrastructure and instill uncertainty in essential services.

The 2017 NWMC Legislative Program urges lawmakers to pass a balanced budget, one that protects local government revenues. It is past time to take the necessary actions to get the state back on solid financial footing. Illinois' stability relies on the stability of its communities. Only as governing partners can we assure the prosperity of our state. The Conference's policy recommendations contained in this program can begin moving the state and its communities forward again.

As President of the Northwest Municipal Conference, I extend an invitation to for our legislators to work cooperatively with our communities to achieve solutions that strengthen Illinois.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew J. Bogusz". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Matthew J. Bogusz
President, Northwest Municipal Conference and
Mayor, City of Des Plaines

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Promote Fiscal Stability through Strong Communities

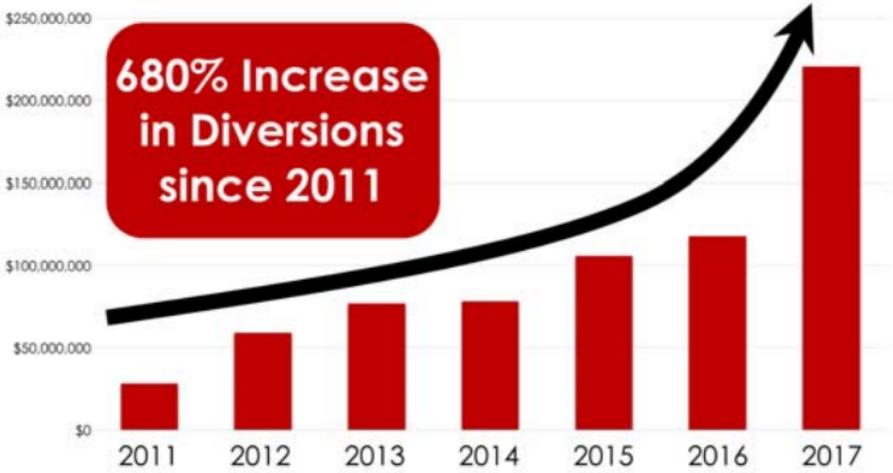
Illinois faces an unprecedented fiscal challenge. The state is in its second consecutive fiscal year without a complete state budget and a recent report from the Office of Management and Budget (OMB) projects that Illinois' bill backlog will grow to \$47 billion in 2022 unless action is taken to reduce projected annual budget deficits ranging from \$5.3 to \$7 billion. These startling figures cannot be ignored.

If we want to ensure that Illinois communities remain strong and attractive for economic development, it is time for Illinois to address its fiscal crisis. Both businesses and residents require certainty as it relates to the fiscal environment and the ability of government to meet their needs. Without fiscal stability and certainty, our state and our communities become less attractive. For local governments, the state's fiscal instability prevents capital investments and threatens essential services on which our shared constituents rely.

As the state budget crisis continues, the impact on local governments has gone beyond budgeting uncertainty. Thankfully, many of our state lawmakers have worked diligently to ensure that state collected local revenues return to our communities. While remittance of many critical local revenues have merely been delayed, the latest "stopgap" budget measure diverted a significant share of the Personal Property Replacement Tax (PPRT) from our communities. What started as a small, \$11 million diversion from the PPRT in FY 2011 has now grown to over \$300 million in total diversions in the most recent stopgap budget, which amounts to over 20% of total PPRT collections. NWMC communities lost an estimated \$2.7 million in the FY 2016 and 2017 stopgap budget alone.

Promote Fiscal Stability through Strong Communities

Growing Threat to Local Revenues: PPRT Diversion



- ◆ State lawmakers are increasingly using the PPRT to manage the state's fiscal crisis.
- ◆ The state diverted over \$300 million in FY 2016 and 2017 alone.
- ◆ Increasing these diversions will further harm our communities and schools.

Source: Illinois Office of Management & Budget, Illinois Comptroller's Office

From our perspective as governing partners at the local level, we are increasingly concerned that the struggle to craft a longer-term budget will continue and even expand the diversion of local revenues. That approach would transfer the state budget crisis onto local governments and our taxpayers while forcing our communities to grapple with whether to raise taxes and fees or further cut vital services and personnel.

Promote Fiscal Stability through Strong Communities

Additionally, the continued talk of freezing property taxes threatens the ability of local elected officials to make responsible decisions to ensure their communities' ongoing stability.

It may seem to be a tempting alternative to shift the state's fiscal crisis to the local level; however, local governments are facing similar challenges. The unfunded public safety pension liabilities facing NWMC communities is over \$1.8 billion, a figure which doubled in less than a decade despite a more than doubling, and in some cases tripling or even quadrupling, of contributions from local taxpayers. Many communities in Illinois face an even worse pension shortfall. Given these fiscal difficulties and uncertainties, shifting a larger burden onto local communities via revenue raids cannot be a solution by which the state seeks fiscal stability.

What Can Our Lawmakers Do?

Pass a complete state budget that protects local revenues

To fund critical governmental functions and ensure the long-term fiscal stability that our residents and businesses demand, Illinois must undertake the serious and difficult task of passing a complete budget without shifting the financial burden and destabilizing local governments.

Promote Fiscal Stability through Strong Communities

Give careful consideration to the allocation of any new revenues

If Illinois enacts new revenue sources from new or broader taxes (such as expanding the sales tax to services), the NWMC believes that an appropriate portion of these state collected revenues of which local governments traditionally receive a share should return to our communities in order to provide relief for local property taxpayers and to avoid inadvertently undermining the fiscal stability of local governments.

One potential revenue source must be addressed at the federal level. Passage of the Marketplace Fairness Act would address the reality of online retail shopping by closing a loophole that allows some consumers to avoid state and local taxes and provide much needed revenues for government services that are currently being lost.

Enact Reforms that Protect Public Services and Promote Local Stability

Beyond the state budget, there is a need to rebalance the cost of providing government services and lessen the burden on local taxpayers. Public safety is a primary responsibility of local government. Providing fair salaries and benefits, reliable retirement security and care for those who served our communities is an obligation NWMC communities readily accept. However, we are increasingly concerned that the rising costs of public safety benefits threaten to crowd out other essential services.

We offer to work in partnership with our legislators to constrain the cost of public services while meeting the needs of our residents.

In our communities, taxpayers struggle to address the increasing cost of pension benefits for public safety employees. As mentioned previously, NWMC communities face a public safety pension liability of over \$1.8 billion. In pursuing benefit reforms, municipalities, the General Assembly and the Governor are limited by Supreme Court rulings and the Illinois Constitution. Nonetheless, local and state leaders must be partners in implementing solutions that constitutionally address the taxpayer burden without threatening our public safety obligations.

One area where reform is clearly needed is reigning in the cost of maintaining over 650 individual public safety pension funds. The current system is a model of inefficiency that imposes a real and unnecessary cost on local taxpayers.

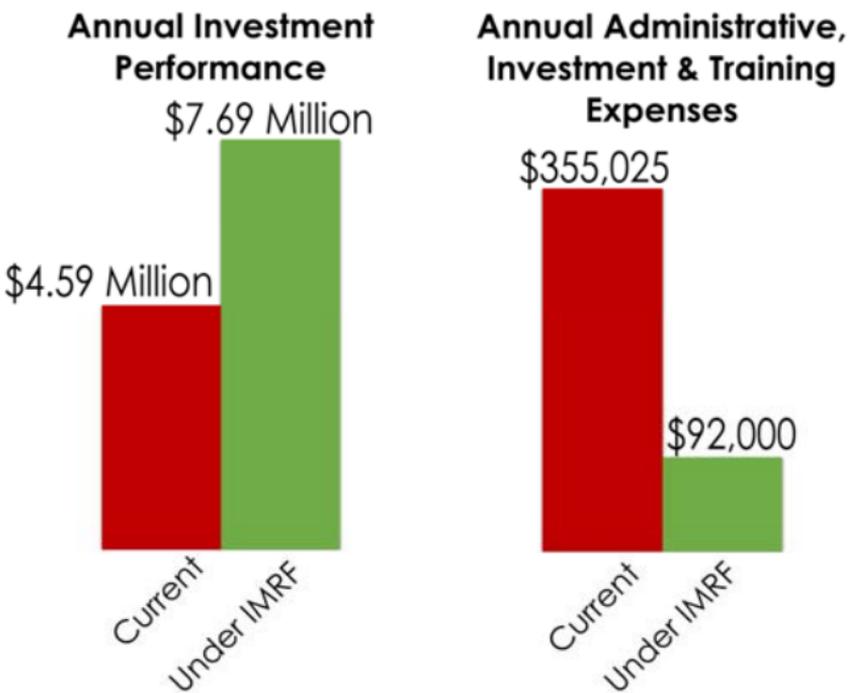
For each pension fund participant, annual operating costs run from \$1,434 for firefighters and \$1,369 for police (according to Illinois Department of Insurance data). The true cost of this system becomes obvious

Enact Reforms that Protect Public Services and Promote Local Stability

when compared to Illinois Municipal Retirement Fund (IMRF), which handles the pensions for almost all other municipal employees, where the operating costs are only \$368 for each plan participant. With over 33,000 firefighter and police participants, the annual cost difference is **\$33 million**. Additionally, local pension

Potential Taxpayer Relief from Public Safety Pension Fund Consolidation

Over 10 years, taxpayers in a typical town* may save more than **\$60 Million**



Under IMRF Consolidation:

Investment returns could increase by **68%**
Expenses could decrease by **286%**

*Example data for sample suburban community with population of 30,000, individual police and fire pension funds, 125 participants (active and retired) in each fund and combined pension fund assets of \$85 million

Enact Reforms that Protect Public Services and Promote Local Stability

funds do not have the portfolio size, the investment expertise or statutory authority to match the investment returns of the IMRF.

What Can Our Lawmakers Do?

Consolidate local public safety pension funds into the IMRF or a similar structure

A constitutional option exists to address the long term fiscal viability of public safety pension funds through improving fund performance and lowering the costs of operations. Significant taxpayer savings through operational efficiencies, economies of scale and potentially higher investment returns could be derived by taking these individual pension funds and consolidating them into a single pension fund, with individual community accounts, such as the IMRF.

Compounding the pension burdens facing taxpayers is the Public Safety Employee Benefits Act (PSEBA), which adds a significant cost for municipalities. PSEBA provides lifetime health insurance benefits to employees who suffer catastrophic injuries; however, the absence of a workable definition of catastrophic injury in Illinois leaves taxpayers liable for long-term payments for injuries that often fall far short of catastrophic and debilitating. Municipalities that must pay PSEBA benefits experience a dramatic fiscal impact that reduces available resources for other community needs.

A single PSEBA claim can leave taxpayers liable for over \$1 million in lifetime health insurance premiums. The lack of a catastrophic injury definition allows an employee who may be unable to continue active duty

Enact Reforms that Protect Public Services and Promote Local Stability

but is fully capable of returning to the workforce in another capacity to collect taxpayer provided health insurance.

What Can Our Lawmakers Do?

Clearly define catastrophic injury as one that prevents the injured employee from performing any gainful work following the injury

We have an obligation to provide for injured police and firefighters who are legitimately unable to support themselves as a result of their service to our communities. Unfortunately, the catastrophic injury loophole consumes limited taxpayer resources making it more difficult to provide for those who legitimately deserve lifetime health insurance. Tying the definition of catastrophic injury to gainful employment would be consistent with federal guidelines.

"Hoffman Estates taxpayers will be paying over \$235,000 to provide health insurance to 13 former employees and/or their families under the Public Safety Employee's Benefit Act in 2017. We fully support police and fire personnel who are catastrophically injured responding to an emergency to have paid health insurance if they are unable to return to any gainful employment. The problem is that the current overly broad definition of catastrophic injury in the State of Illinois allows many who could be employed in other professions to receive taxpayer paid health insurance. It is time to lessen the burden on Illinois taxpayers and adopt federal definitions of catastrophic injury."

Mayor William McLeod
Village of Hoffman Estates

Enact Reforms that Protect Public Services and Promote Local Stability

Local taxpayers are further disadvantaged by an interest arbitration process that turns negotiating contracts into a winner takes all proposition and oftentimes fails to reflect the community's needs or ability to pay. The current system, where arbitrators determine public safety employee contracts with little attempt to reach a middle ground between the union and municipal offers, is out of balance. This imbalance further limits local government's ability to effectively manage their public safety operations.

What Can Our Lawmakers Do?

Enact interest arbitration reform to allow for more compromise to the benefit of taxpayers

State lawmakers should require arbitrators to take into account economic factors, such as the budgetary constraints facing local governments and cost-of-living standards, when determining total compensation packages. Additionally, lawmakers should empower arbitrators to explore compromises that lie between the final offers put forth by the employer and the union.

Invest in Illinois to Ensure Stable and Reliable Infrastructure

If Illinois' critical infrastructure continues to crumble around and underneath our communities, the state will not enjoy the preconditions necessary to support a modern and thriving economy. While the lack of a state operating budget has garnered significant and necessary attention, funding from *Illinois Jobs Now*, the state's last major capital bill, is nearly spent. Illinois has been managing from budget crisis to budget crisis, which has prevented any focus on comprehensive investment in our state's infrastructure.

Meanwhile, traditional revenue sources, such as the Motor Fuel Tax continue to shrink or stagnate while the Illinois Department of Transportation (IDOT) and stakeholder groups point to mounting needs.

Maintaining and strengthening Illinois' role as a transportation hub is critical for the state's economic success. In addition, the lack of a capital plan leaves Illinois at risk of missing out on future federal infrastructure investment if we are unable to produce the required state matching funds.

What Can Our Lawmakers Do?

Provide sustainable funding for roads, bridges, transit and other critical infrastructure

The state must end the boom and bust cycles of inconsistent funding and develop a reliable source of revenue that can keep pace with system needs. Illinois must allocate funding and select projects in a cost-effective way to maximize economic benefits.

Invest in Illinois to Ensure Stable and Reliable Infrastructure

Infrastructure for a successful state extends beyond pavement, train tracks and pipes. State of the art telecommunications are critical in a modern economy where moving information is as imperative as moving people. Nonetheless, while the NWMC strongly supports the implementation of emerging wireless technological advances, we strongly caution that they cannot be implemented in a manner that restricts the ability of local governments to protect the interests of their communities.

What Can Our Lawmakers Do?

Implement sensible and balanced wireless facility regulations to ensure the rights of communities

While local governments support the goal of ensuring reliable telecommunication coverage throughout our communities, the approach taken in legislation considered last session essentially amounts to reverse eminent domain where a private business concern can take and use public property without reasonable regulation or fair compensation. Local and state lawmakers must work as partners to provide sensible protections for municipalities while meeting the goal of providing state of the art telecommunication services.

Illinois Constitutional Officers

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Lieutenant Governor

Lisa Madigan

Attorney General

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Secretary of State

Michael Frerichs

Treasurer

Susana Mendoza

Comptroller

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Senator Tammy Duckworth

Representative Mike Quigley
5th Congressional District

Representative Peter Roskam
6th Congressional District

Representative Raja Krishnamoorthi
8th Congressional District

Representative Jan Schakowsky
9th Congressional District

Representative Brad Schneider
10th Congressional District

Representative Randy Hultgren
14th Congressional District

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Senate President

Christine Radogno
Senate Minority Leader

Heather Steans
7th Senate District

Ira Silverstein
8th Senate District

Daniel Biss
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Don Harmon

39th Senate District

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Speaker of the House

Jim Durkin
House Minority Leader

Kelly Cassidy
14th House District

John D'Amico
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Steven Reick
63rd House District

Barbara Wheeler
64th House District

Allen Skillicorn
66th House District

Kathleen Willis
77th House District

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 2017 Legislative Program or any other issues that are of importance to local governments.

Matthew J. Bogusz

NWMC President
Mayor, City of Des Plaines

Harriet Rosenthal

Co-Chair, NWMC Legislative Committee
Mayor, Village of Deerfield

Sandra E. Frum

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President, Village of Northbrook

Mark L. Fowler

NWMC Executive Director

Larry Bury

NWMC Deputy Director

Chris Staron

NWMC Policy Analyst

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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Deerfield	Northfield Township
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Fox Lake	Rolling Meadows
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Glenview	Skokie
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