

January 10, 2017



## ALLIANCE LEGISLATIVE REPORT (99-59)

### 99<sup>TH</sup> GENERAL ASSEMBLY FADES AWAY

The 99<sup>th</sup> Illinois General Assembly returned to the Capitol Monday for a two-day “lame duck” session, with many hoping that a “grand compromise” could be put together for a full-year State budget. The current General Assembly will adjourn today (Tuesday) and the new 100<sup>th</sup> Illinois General Assembly will be sworn in at noon on Wednesday.

The “lame duck” label comes from the fact that dozens of legislators that either didn’t run for re-election, or didn’t win their election in November, are still serving out their terms until their successors are sworn in Wednesday. Thus, there may be freer reins for them to take “tough votes” since they will not be facing voters again.

With the two-day window and the vote threshold dropping again to a simple majority for bill passage (from June 1 to December 31 bill passage for most bills requires a 3/5 supermajority), there was one last shot for this legislature to adopt a full fiscal year State budget. The legislative leaders in the Senate, **President John Cullerton (D-Chicago)** and **Republican Leader Christine Radogno (Lemont)**, had been meeting in earnest to find a bipartisan agreement on a State budget complete with spending authority, budget cuts, and new revenue sources. They offered a package that included reform measures requested by **Governor Bruce Rauner** as well. Time ran out in this brief session as the Governor and **House Speaker Michael Madigan (D-Chicago)** needed to be brought into the discussions, but amendments to bills were filed Monday that contain the budget compromise components. Components include: a property tax freeze, mandate relief, pension reform, workers’ compensation reform, a minimum wage increase, changes to the K-12 school funding formula, an increase in the State income tax rates, a gaming expansion, and borrowing.

Though no action was taken this week, having actual amendments filed for all to see is a significant step in this process. According to the Senate leaders, new bills containing the budget components will be filed soon after the new General Assembly begins, with a plan of calling the bills for a vote early in the new legislative session.

### PROVISIONS OF THE PROPOSED BUDGET PACKAGE

The budget compromise proposal is designed to “right the ship” of State fiscal policy. The comprehensive plan is a mix of new revenues, business reform measures, worker benefits, and tax structure changes. Along with those provisions listed here, other components would increase the minimum wage to \$11 per hour over a number of years; make changes to the Workers’ Compensation Act; make changes to the State procurement code; and consolidate small units of local government (school districts not included).

These bill numbers will change once the reform measures are re-introduced in the new General Assembly.

#### PROPERTY TAX FREEZE/MANDATE RELIEF

**SB 1110 (Radogno)** would establish a property tax extension limitation of 0% for all counties for both the 2017 and the 2018 levy years – excluding levies for bonds or debt or pension funds. Counties not

under the Property Tax Extension Limitation Law (PTELL) would be prohibited from holding a referendum to determine applicability of the “freeze” for the 2017-18 levy years.

Regarding school district mandate relief, the bill would:

- change the mandate waiver process to strike the requirements that prohibited school districts from requesting drivers’ education waivers, thus allowing such requests to be made;
- modify the 3<sup>rd</sup> party contracting limitations to eliminate the requirement that contractors seeking to deliver services have to meet salary or wages of school employed workers. It requires school districts to forward a copy of the cost projection to the Illinois State Board of Education (ISBE) when a bid is accepted;
- allow a school district to discharge any mandate that is unfunded by holding a public hearing and referendum. Any mandate discharged must be reported to the ISBE;
- allow a school board to determine the schedule and frequency of physical education courses requiring a minimum of three days per week, and allow high schools to excuse freshman and sophomore students who participate in interscholastic or extracurricular athletic programs; and
- allow a school district to contract for drivers education services.

## REVENUE ENHANCEMENTS

**SB 523 (Hutchinson, D-Olympia Fields)** would change the current State tax structure to raise new revenues. It would:

- increase the personal income tax rate from 3.75% to 4.95%;
- increase the corporate income tax rate from 5.25% to 7%;
- establish a statewide tax on “Sugar-Sweetened Beverages”;
- eliminate certain corporate tax credits;
- increase the Education Expense Credit;
- increase the Earned Income Tax Credit from 10% to 15%;
- add a tax credit up to \$250 per year for instructional materials and supplies for classrooms; and
- lower the Local Government Distributive Fund transfer.

## PENSION REFORM

**SB 17 (Cullerton)** would make many changes to the various State pension laws. It would:

- prohibit State employees (under the Illinois Public Labor Relations Act) from collectively bargaining changes in wages, hours, or terms and conditions of employment;
- close participation in the General Assembly Retirement System (GARS) to new members as of the effective date of the bill;
- include a modified "cost shift" for Teachers’ Retirement System (TRS) or State University Retirement System (SURS) employers for those employees who earn an annual salary of \$180,000 or more. The employer would be responsible for the normal costs of the pensions for these employees;
- require TRS employers to pay the present value of any benefit increase due to a member's salary increasing by more than the increase in the Consumer Price Index (CPI); and
- Tier 1 members in GARS, SURS, TRS, and the Chicago Teachers’ Retirement System (CTRS) must choose to either opt in to the Tier 2 Cost Of Living Adjustment (COLA) payment or keep their current Tier 1 COLA.

- ✓ For those members that choose the Tier 2 COLA, their salary increases will continue to earn credit for their pension. They will also receive a one-time payment of 10% of their total member contributions (called a "consideration payment").
- ✓ For those members that choose to remain with the Tier 1 COLA, they will receive salary increases only if they expressly agree that it is not eligible for pension credit.
- ✓ The member contributions for SURS, TRS, and CTRS members who choose the Tier 2 COLA payment will no longer include the additional payment attributed to the Tier 1 COLA payment.
- ✓ For GARS, SURS, and TRS, employer contributions will be set at an amount required for the system to reach 90% funded status by FY 2045.
- ✓ Tier 1 members in GARS, SURS, and TRS will also have the option of participating in a voluntary 401K plan in lieu of continued participation in the regular pension plan.

## SCHOOL FUNDING REFORM

Though no bill has yet been introduced on school funding, the provisions of the plan are expected to:

- freeze the current school aid formula distribution amounts initially;
- provide funding for Chicago Public Schools teachers' pensions as an attempt at "pension parity" with downstate school district employees (approximately \$200 million); and
- distribute any new K-12 school funding through a new evidence-based funding model.

## GAMING

**SB 305 (Link, D-Vernon Hills)** would expand gaming in the State. It would:

- establish a land-based casino in the City of Chicago;
- add five new river boat casinos in the state; and
- allow slot machines at horse race tracks.

## BORROWING

**SB 284 (Trotter, D-Chicago)** would grant the State borrowing authority with the proceeds earmarked for paying down the State's massive unpaid bill backlog. The State Comptroller's office estimates that the State is \$10 billion behind in paying its bills. The bill would allow for the borrowing of \$7 billion to help pay down that bill backlog more quickly and take the burden off of school districts, municipalities, and vendors. The new borrowing would allow the state to restructure some of its debt to increase cash flow on a more immediate basis.

## **OTHER LEGISLATIVE ACTION FROM THIS WEEK**

### LEAD TESTING MEASURE HEADS TO THE GOVERNOR

After months of negotiations, a bill to require certain schools to test drinking water for lead concentrations will now head to the desk of Governor Rauner. **SB 550 (Steans, D-Chicago)** was approved by both the House of Representatives and Senate this week. Though there are new requirements in the legislation, the Alliance was successful in having several onerous provisions of the bill either deleted or amended to help school districts with costs and implementation.

Under the bill, school buildings that contain Pre-K through 5th grade students will be required to test all water fountains, any kitchen sinks used in food preparation, and certain classroom sinks for the presence of lead in drinking water. The requirements vary depending on the age of the school building. Included in the final bill were exemptions for school districts that have already tested for lead, a

decrease in the number of sampling requirements, less burdensome notification procedures, and access to additional funding streams.

## **LEGISLATIVE SCHEDULE**

Members of the new 100<sup>th</sup> General Assembly will be sworn in Wednesday at noon. The House of Representatives will hold its ceremony in Sangamon Auditorium at the University of Illinois – Springfield. The Senate will conduct the inauguration on the Senate floor in the Capitol.

Both chambers are scheduled to convene for session January 24-26. Wednesday, January 25, is the day slated for the Governor’s State of the State Address.

*This legislative report was written and edited by the lobbyists of the Illinois Association of School Boards to provide information to the members of the organizations that comprise the Statewide School Management Alliance.*

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