

Property Tax Relief Taskforce Consolidation Subcommittee

Meeting Minutes

Thursday, October 17, 2019

11:00 AM

James R. Thompson Center
100 West Randolph Street
Suite 9-031 (9th Floor)
Chicago, IL 60601

I. Welcome/Roll Call

- a. IDOR staff called the meeting to order around 11:00 AM and welcomed members.
- b. Roll call was taken. Quorum was not met.

Name	Present
Rep. Jonathan Carroll	Yes
Rep. Michelle Mussman	Yes
Rep. Dan Ugaste	Yes
Rep. David Welter	No
Rep. Lance Yednock	No
Rep. Yingling	Yes
Rep. Joyce Mason	No
Rep. Anne Stava-Murray	Yes
Rep. Jennifer Gong-Gershowitz	No
Rep. Thomas Bennett	Yes
Sen. Laura Ellman	No
Sen. Julie Morrison	No
Sen. Dan McConchie	No
Sen. Dale Righter	No

II. Approve Previous Meeting Minutes

- a. Minutes from previous meeting were not approved, due to lack of a quorum.

III. Presentations - Lawrence Msall of the Civic Federation

- a. Msall introduced himself and his testimony highlighted the following points:

1. The first road block to discussing consolidation is the lack of a complete list of local governments in Illinois. Estimates range between 6,000 and 8,000 units. The federal 2017 Census of Governments places the number of local units of governments in Illinois at 6,918, while the Illinois Comptroller's Office places the number of local units of government at 8,525. The Civic Federation plans on releasing a comprehensive list of local governments in Illinois with relevant details. There is no centralized or recognized database of these Illinois entities at this time. The State needs to create and maintain one in order identify local units of government first before reviewing options for consolidation and cost savings.
2. The majority of these units of local government rely on property taxes to fund their operations, pensions, debt, and other expenses. The total number of local governments and their reliance on property taxes has caused Illinois to experience some of the highest property taxes in the United States. Illinois has 900 school districts, 3rd highest in nation after California and Texas, but those states have more than double the populations of Illinois. In 2017, those 900 school districts represented \$19.2 billion in funding from property taxes (approximately 62% of \$31 billion in total property taxes). Some districts have fewer than 100 students, but still have a superintendent and other administrative staff. Consolidation in these areas makes sense.
3. Pensions are another reason why property taxes in Illinois are high. There are 649 suburban and downstate public safety funds. Consolidating these into two funds – one for police and the other for fire – will help lower administrative costs and pool resources/assets for better investment options. It would also lead to having better accountability, oversight, and transparency. Wisconsin serves as a good example of maintaining two such state-wide pension funds for police and fire, that are 90% plus funded and are managed by two boards. Local units of governments in Illinois have been crushed by the mandated pension obligation costs. When municipalities cannot meet their pension obligations, even after cutting services and generating revenue in other ways, the pension funds for those municipalities are allowed to intercept payments from the Comptroller's Office that are intended for those municipalities. The pension funds for East St. Louis, North Chicago, Harvey, and Chicago have already exercised such interception. While those individual funds benefit, the underlying problem is not addressed. The State has mandated a certain funding level for these municipalities, so a more comprehensive solution is needed. The State of Illinois does not currently have a mechanism in place that can identify local units of government that are in financial distress. The Civic Federation has advocated for the creation of the Local Government Protection Authority, which is intended to provide local governments with independent and technical assistance before they reach the point of complete financial distress. Senator Rezin supports

the LGPA and offered an amendment to Senate Bill 1030 in the past session. Some states already provide such services to their municipalities. The LGPA would be housed and administratively supported in the Comptroller's Office. The LGPA can provide expertise in various situations.

- b. Representative Carroll asked Msall to provide some more detail about the LGPA concept. Msall provided further details and an outline of how it would work. Underlying need is to first establish an understanding of an entity's financial health and practices, prior to any discussions of possible consolidations, sharing of resources, or modernization. The Comptroller's Office is required to collect audited financial statements from units of local government but has no authority to enforce it. Carroll asked about the aspect of maintaining local control. Msall indicated the situation is more about gaining financial information to help local entities be governed better. In the area of pensions, the problem involves a state financial mandate on local governments, so local control isn't lost. Local governments would decide if they seek help via the LGPA for an independent financial evaluation. The local governments would still decide how to proceed based on this information. Overall, pension and other liabilities are greater than revenue, so many local units of government are in financial distress and require expert help in addressing such challenges. Carroll agreed with the need for such assistance for certain local governments. Msall expressed that the State of Illinois has a certain obligation to assist these local units of government since they are creations of the State. Best practices of other states or local governments can be shared.
- c. Mussman inquired if the Comptroller's Office is interested in maintaining a central database of local units of government and in providing such assistance. Msall indicated that most Illinois Comptrollers in recent decades have expressed such an interest. Doing so would require additional resources and legislative authority though. The emphasis on local governments by the State seems to have reduced in recent years. Mussman pointed out that this would require additional staff, especially in a time when state agencies have been asked to make cuts. She also inquired into the status of Sen. Rezin's bill and why it did not progress during the past session. Msall answered that the bill did not make it out of committee. In terms of staff, local governments could be required to file electronic reports to the Comptroller's Office, which would minimize expenses at the State level. Overall, helping local governments with their finances would lead to better credit ratings for the State of Illinois.
- d. Yingling asked if the Civic Federation has any thoughts on the Governor's pension consolidation proposal. Msall indicated that the Governor's proposal to consolidate the public pension funds is a good first step. The Civic Federation would like to see the actuarial analysis of the proposal, especially in terms of the Tier 2 changes. Urged lawmakers not to make any further pension changes until an actuarial analysis is available. Overall, pension consolidation is a favorable step.
- e. Ugaste asked if Senate Bill 1030 would support the LGPA concept as described by Mr. Msall. Msall indicated yes, and that the amendment to the bill

accomplishes this. Senator Rezin introduced the amendment per the Civic Federation's urging. Ugaste asked if the Civic Federation has other proposals in addition to consolidation that could help eliminate the need for higher property taxes. Msall answered that the State of Illinois has placed mandates on local governments which costs them extra dollars, so one way to help alleviate their costs is for the State to provide a higher level of state revenue towards such mandates. In terms of helping pay the local pension costs, the State could eliminate the tax exemption for retirement income and use that additional revenue to pay for local pensions. Overall, lowering of property taxes is possible if the State either makes some changes concerning mandates on local governments or provides greater revenue sharing to cover some of the costs to local governments associated with such mandates.

IV. Presentations - Ryan Tolley of Change Illinois

- a. Tolley introduced himself and his testimony highlighted the following points:
 1. The State should extend the moratorium on the creation of new governmental units. Illinois leads the nation in the number of local government units, which heavily rely on property taxes. Prior to the current moratorium, 384 new units of local government had been created since 1998. There are several special purpose districts, which are difficult to track. The Illinois Comptroller experiences difficulty in getting accurate financial data and other information. The State needs to create a comprehensive list of local government units and keep it updated as a routine practice.
 2. The State should create a school district efficiency commission. House Bill 3053 and Senate Bill 1287 were introduced this past spring session to help accomplish this. HB 3053 would create the School District Efficiency Commission to study the possibility of reorganization and realignment of school districts that prove beneficial and to make related recommendations to the Governor and General Assembly. SB 1287 would allow school districts to enter into agreements for sharing of administrative officials, services, and resources. Streamlining of services overall would help alleviate the burden on property owners. Approximately two-thirds of a property owner's tax bill is for the local public school district.
- b. Rep. Bennett asked if school districts already have the ability to share administrators. Tolley indicated he did not have an exact answer in regard to that particular aspect but stressed that the purpose of the commission would be to find areas of service that are ripe for consolidation. Any proposed sharing or consolidation of services would require voter approval via a referendum.
- c. Yingling asked if Change Illinois has any thoughts about theater districts within the school system being required to consolidate with one of their high school districts within ten years. Tolley responded that Change Illinois does not currently have any position on that idea but would look into it and provide some feedback.
- d. Carroll expressed a need was to identify all current units of local government in order to get an accountability of the entire situation. We simply don't know the

extent of what we are dealing with. Tolley expressed agreement. Despite the current moratorium, the Comptroller's Office lists more local governments now than existed before the moratorium went into effect in 2015. We have never collected/centralized the data on local government units. Extending the moratorium would allow sufficient time to collect the data and create a centralized database.

- e. Mussman asked if the Illinois State Board of Elections would have information on local government units that identifies them and that might be shared with the Comptroller's Office. Tolley indicated it is a possibility. Anything that provides greater clarity in developing a comprehensive list of local units of government is helpful.

V. New Business

- a. None.

VI. Public Comment

- a. None

VII. Adjournment

- a. The subcommittee recessed to the call of the Chair.

DRAFT