



LEGISLATIVE REPORT

BOMA/SUBURBAN CHICAGO

May 10, 2019

The Illinois General Assembly adjourned Thursday and return to Springfield Tuesday, May 14. With Thursday's adjournment, that leaves only three weeks left on the legislative calendar.

Capital Bill Update

Lawmakers and the Governor continue discussing a comprehensive capital plan but, lawmakers are getting anxious the session clock may run out before a capital plan is finalized. To push the conversation forward, lawmakers have introduced several capital proposals for transportation, "horizontal", projects.

HB 391 and HB 3233 contain language put forward by the Operating Engineers Local 150, which would raise \$2.4 billion annually for roads and transit. HB 3823 incorporates the Illinois Chamber of Commerce's proposal for funding transportation, with about \$2 billion in revenue, some of which is bonded, to fund roads, transit and rail infrastructure.

This week, the House Revenue Committee moved HB 391 out of House Revenue Committee. The bill did not have input from Governor Pritzker, which caused some consternation. The Governor's spokesperson provided the following response to the House Revenue Committee vote:

"The administration appreciates contributions and ideas from lawmakers who agree the state is long past due for critical upgrades to infrastructure. Negotiations are ongoing over a comprehensive capital plan that addresses the needs for roads and bridges, as well as vertical infrastructure like universities and schools."

ADDED TO BILL REPORT THIS WEEK

➤ **None**

UPCOMING DATES

- May 10 – House & Senate Bills Opposite Chamber Out of Committee Deadline
- May 24 – Third Reading Deadline for Bills in Opposite Chamber

REPRESENTATIVE COSTELLO RESIGNS FROM HOUSE FOR DNR POSITION

State Representative Jerry Costello II resigned from the legislature to become the director of law enforcement for the state Department of Natural Resources. The Smithton Democrat has served in the Illinois House since 2011. Pritzker says his experience as a police officer and in Operation Desert Storm "brings much value to an important piece of state government."

Nathan Reitz, the son of former State Representative Dan Reitz, was sworn in Thursday to replace Costello. Following his swearing in to the Illinois House of Representative, new state Rep. Nathan Reitz, D-Steelville, released the following statement:

“As a lifelong Southern Illinoisan, I know that our community deserves a representative who will continue fighting every day for Southern Illinois and our values. Having spent my career in the energy industry, I am determined to help grow our local economy and making the decisions that help create new jobs. As state representative, I will fight every day to protect our Second Amendment rights, provide tax relief and responsible budget making, and make sure that Southern Illinois always has a strong voice in Springfield. There is a lot to accomplish, and I look forward to working together with my colleagues, both Republican and Democrat, to make Southern Illinois and our state a better place to live and work in.”

SENATE PRESIDENT CULLERTON BACKS \$1-PER-PACK HIKE IN CIGARETTE TAX

[State Journal-Register](#)

Anti-smoking advocates were joined by Illinois Senate President John Cullerton Tuesday to call for a \$1-per-pack increase in the state cigarette tax.

That increase is three times the 32 cents per pack that Gov. J.B. Pritzker called for in his budget speech in March.

The tax hikes wouldn't be limited to cigarettes. Taxes also would be increased on other tobacco products like cigars and would be imposed on e-cigarettes.

Cullerton said legislation will be introduced soon to raise taxes on tobacco products.

In his budget proposal, Pritzker called for a 32-cents-per-pack increase in the cigarette tax which would push the tax to \$2.30 a pack. The administration estimated that would bring in \$55 million.

Pritzker's budget also called for taxing e-cigarettes at 36 percent of their wholesale price, which would generate \$10 million.

A \$1-per-pack cigarette increase would bring in \$159 million in new revenue, supporters said. They also want to increase the tax on other tobacco products from 36 percent of the wholesale price to 64 percent. The same rate would apply to e-cigarettes. That would raise an additional \$20 million to \$25 million, they said.

Pritzker spokeswoman Jordan Abudayyeh said the governor “supports President Cullerton's proposal and looks forward to ongoing negotiations with lawmakers in the Senate and House. Governor Pritzker was proud to sign Tobacco 21 and supports efforts to curb smoking in Illinois.”

Tobacco 21 raised the age to 21 to legally buy tobacco products in Illinois. Anti-smoking advocates said it would help deter young people from starting the habit.

Pritzker's budget plan called for a number of revenue increases besides the tobacco increase, including a tax on plastic bags, legalizing recreational marijuana, bringing sports wagering to Illinois and increasing taxes on video gaming machines, among others.

GOVERNOR PRITZKER DROPS PLAN TO LOWER PENSION PAYMENTS AFTER APRIL TAX WINDFALL

Chicago Tribune

Gov. J.B. Pritzker is setting aside a controversial proposal to reduce the state's payment to its severely underfunded pension plans for the coming budget year after tax revenue collected last month far exceeded expectations

Due to a variety of factors, including changes that resulted from the recent federal tax overhaul, the state's individual and corporate income tax revenue in April was more than \$1 billion higher than what came in during the same month a year ago, according to a letter Illinois Department of Revenue Director David Harris and Pritzker budget director Alexis Sturm sent to legislative leaders.

The tax windfall, coupled with other revenue collected throughout the year, will be enough to cover most of the state's projected \$1.6 billion deficit for the current budget year, according to Harris' letter. While some of the extra revenue is likely from one-time sources, according to the letter, some will continue into next year. As a result, the department is increasing its revenue estimate for the next budget year by \$800 million and Pritzker is dropping his proposal to reduce pension payments by \$878 million.

"The governor remains committed to finding ways to fund our pension commitments in a sustainable manner," administration officials wrote. "Ensuring the state's pensions are sustainably funded continues to require significant effort, and will not happen overnight. Over the coming months, the administration will continue to work on a responsible approach to the state's unfunded pension liabilities, which continue to threaten to crowd out vital investments in education and public safety."

Facing nearly \$134 billion in unfunded pension liabilities and a \$9.1 billion bill for the coming budget year, Pritzker earlier this year proposed a multipronged plan that called for lowering pension payments in the near term by spreading them out over a longer period of time and selling state assets, such as the Thompson Center in the Loop, to inject cash into the pension system.

While Pritzker's fellow Democrats control both chambers of the General Assembly, the proposal to extend the state's deadline to meet pension funding requirements by seven years was receiving pushback from lawmakers on both sides of the aisle, as well as from public employee unions who helped elect him.

GAMBLING EXECUTIVE: DON'T RAISE TAXES; RAISE BETS

Capital News Illinois

If the state of Illinois wants more revenue from video gambling, one gaming industry executive said Thursday, lawmakers should loosen betting restrictions rather than raise video gambling tax rates.

Ivan Hernandez, who heads the Illinois Gaming Machine Operators Association, offered that proposal to the state House Executive Committee, which is considering several alternatives for increasing state revenue from video gambling.

“Our proposal is projected to far exceed [Gov. J.B. Pritzker’s] request, without resorting to a tax increase,” Hernandez said.

The Executive Committee, chaired by Democratic Rep. Chris Welch of Hillside, heard testimony Thursday from representatives of the video gambling industry who unanimously oppose a proposed tax hike that Pritzker outlined in his February budget address. No legislation has been introduced so far.

Video gambling machines are taxed at 30%, with the remaining money split evenly between the machine operator and the establishment housing the machines. Pritzker’s plan would increase the state’s tax rate to 50%, resulting in more than \$100 million in new revenue for state and local governments.

Opponents have framed their argument around the local establishments – mom-and-pop restaurants, bars, VFW posts and more – that they say rely on the machines for increased foot traffic and, ultimately, successful business.

Elements of Hernandez’s proposal include raising the bet limit on single plays from \$2 to \$4, increasing the maximum winnings on a single play from \$500 to \$1,199, allowing games with higher jackpots, and increasing the number of gambling terminals allowed at one location from five to six.

Those measures, Hernandez said, would create \$210 million in new tax revenue the first two years, without changing the tax rates.

Policy objectives were not so clear cut for the other topic of the hearing, which focused on the largely unregulated market of “sweepstakes” machines that the Illinois Gaming Board, along with many state and federal courts, have maintained are illegal.

Sweepstakes are in many ways similar to video gambling machines, but do not fall under the same state oversight, nor are taxes on them paid to state and local governments, according to a WBEZ investigation last year.

Because they face no other regulation than to be registered with the Illinois Department of Revenue, the machines can be found in places where video gambling terminals have been banned, WBEZ reported.

Cory Aronovitz, a lawyer with the Chicago-based Casino Law Group, told lawmakers unfamiliar with the matter that the machines are kiosks for “product promotion,” meaning a person pays cash to the machine, receives, for example, a coupon for a discount on items on a website, then gets the chance to win cash by playing a slots-like game.

Rep. Keith Wheeler, R-Oswego, argued that sweepstakes machines should be placed under the same regulatory laws as video gambling terminals. He said any regulatory changes addressing sweepstakes machines would be packaged in a gambling overhaul bill that has yet to appear in the Legislature.

On top of considering how to legalize sports betting and whether to allow more casinos in Illinois, state lawmakers also are considering changes to policy affecting the video gambling terminals that appear in almost 7,000 local establishments across the state.