

# LEGISLATIVE REPORT

## BOMA/SUBURBAN CHICAGO

May 3, 2019

Following a two-week break from Session, the House and Senate returned to Springfield this week. Both chambers adjourned Thursday and will return to Springfield Tuesday, May 7.

With the deadline for bills to be moved out of the originating chamber having come and gone, legislation that did advance begins the process over again in the opposite chamber. Both chambers spent the majority of the week debating bills in committee. With only four weeks left on the session calendar and many large items still outstanding, its going to be a busy last few weeks in Springfield.

### “Fair Tax” Proposal Update

On Wednesday, the Senate approved a proposed constitutional amendment and three companion bills that could move the state to a graduated income tax system after 2020.

The measures now move to the House for consideration. The proposed constitutional amendment requires 71 votes in the House.

The key bill was a proposed constitutional amendment that calls for the state to scrap its current flat income tax and replace it with a graduated tax where wealthier taxpayers will pay more. As part of the package, the Senate approved an accompanying tax rate structure:

For those who file a joint return

4.75% \$0-10,000  
4.85% \$10,001-100,000  
4.95% \$100,001-250,000  
7.75% \$250,001-500,000  
7.85% \$500,001-1,000,000  
7.99% \$1,000,000+ (includes all income)

For taxpayers who do not file a joint return

4.75% \$0-10,000  
4.85% \$10,001-100,000  
4.95% \$100,001-250,000  
7.75% \$250,001-350,000  
7.85% \$350,001-750,000  
7.99% \$750,000+ (includes all income)

Together, the tax system will generate nearly \$3.9 billion in additional revenue for the state. The bill also includes an increase in the child care tax credit and the property tax credit, and also more money for local governments.

If approved by voters, Illinois would join 33 other states that have a graduated state income tax.

Also included in the package of legislation was a bill sponsored by Senator Manar that provides property tax relief if the state fully funds some education programs in a year. Under the bill, if the state provides full funding for the school aid formula and for categorical programs like school transportation, school districts cannot raise their tax rates during that budget year.

Finally, the Senate approved a bill to eliminate the estate tax in Illinois, which would save Illinois residents \$305 million.

## 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

## STATE WORKER, TEACHER PENSION BUYOUTS HAVE MIXED RESULTS

[State Journal-Register](#)

Pension buyout programs that Gov. J.B. Pritzker wants lawmakers to make permanent have shown mixed results so far for the pension plans covering state workers and downstate teachers.

So far, only a handful of teachers have opted into a plan where they take smaller pension raises in exchange for a cash payment. However, the same program has shown better than expected results for the pension plan covering state workers.

Under the COLA buyout plan, participants in the pension fund can agree to give up the 3 percent compounded annual raises they get in their pension benefits. Those people would still receive an increase in their pension benefits, but it would only be 1.5 percent annually and not compounded.

In exchange, those people would be eligible for a cash payment that would be made to them now. The state would calculate the difference in benefits a person would receive with the 3 percent annual increase and the 1.5 percent increase and a person could get 70 percent of that amount placed in an alternative retirement vehicle.

Tim Blair, executive director of the State Retirement Systems, said that since the plan went into effect at SRS Dec. 1, there were 1,700 people who retired. Of those, 402 opted to take the buyout

program. The payouts average \$100,000 per person, Blair said, although the range ran the gamut from a couple of thousand dollars to \$400,000.

The payouts will cost the pension system \$37.7 million, although the systems are expected to save money in the long run by paying smaller annual raises. Studies have shown the annual 3 percent compounded raises are the biggest reason for ongoing increases in pension costs. Money for the payments will come from bonds the state is issuing, although not all of the bonds have been issued yet.

SRS benefited from the timing of state worker retirements. Most of them occur from December to February, Blair said. That isn't the case for the Teachers Retirement System which has seen only a handful of people taking advantage of the plan.

Andrew Bodewes of TRS told the House Personnel and Pensions Committee Thursday that only 16 people have signed up for the COLA buyout of 2,497 people who have signed up for retirement benefits. He said one of the reasons was that the state only recently issued the bonds to pay the benefits.

It is also not the prime retirement season for teachers. That comes toward the end of the school year.

Bodewes said TRS expects more people to take advantage of the plan in the future.

Neither system has yet started a second buyout plan that applies to people who are vested in one of the systems, but are no longer active. That would apply to a teacher or state worker who worked long enough in Illinois to get vested in a pension plan, but has since left that job and no longer contributes to the pension. SRS has estimated there are 4,000 vested, inactive members of the system while TRS put the number at about 20,000.

People who fit that criteria could cash out of the systems and receive 60 percent of the present value of their vested pension benefit. The state has estimated it will save \$41 million from the buyout program.

Both TRS and SRS said that buyout plan will begin shortly.

## **GAMBLING EXPANSION, SPORTS BETTING ON COLLISION COURSE AS END OF SESSION NEARS**

*[Chicago Tribune](#)*

The smart money says that if Illinois lawmakers are going to legalize sports betting this spring, it's going to be part of a larger gambling expansion deal that also includes new casino licenses and expanded betting options at horse tracks.

Democratic Gov. J.B. Pritzker did not want to squander the opportunity to bring in new state revenue through legalized sports betting, made possible by a U.S. Supreme Court ruling last year, by tying the issue to the parochial gambling debates that have failed to produce an

agreement for the better part of a decade. The governor is counting on more than \$200 million in sports betting revenue in his spending plan for the budget year that begins July 1.

But with their scheduled May 31 adjournment approaching, lawmakers are faced with the reality that winning broad support for a sports betting bill likely will require resolving issues they've been kicking around since then-Gov. Pat Quinn in 2013 vetoed the last gambling expansion bill passed by the General Assembly. Because Pritzker has placed such a high priority on sports betting, all sides see it as leverage to achieve their long-sought goals.

While everyone wants a piece of sports betting, the other issues are little changed. Chicago, Waukegan, Rockford, the south suburbs, and communities in central and southern Illinois want new casinos. Horse tracks want to have slot machines and table games to support their operations and offer larger purses for race winners. Meanwhile, the state's 10 existing casinos, stinging from the loss of bettors and revenue to legalized video gambling at bars and restaurants, don't want to contend with more competition.

State Rep. Mike Zalewski, a Riverside Democrat who's leading sports betting negotiations in the House, said he continues to work independently from fellow Democratic Rep. Bob Rita of Blue Island, who's leading gambling expansion discussions. Zalewski plans to file a revised sports betting bill next week.

He acknowledged, however, that there are members on both sides of the aisle who will want to follow the lead of local officials calling for the two issues to be handled together. "I'm sort of aware of the dynamic, and we're very much trying to work through it," he said.

Chicago has been seeking a license for a city-owned casino for close to two decades, but Quinn twice vetoed bills that would have granted it. Outgoing Mayor Rahm Emanuel's administration is willing to back sports betting — if the city finally gets its casino.

Mayor-elect Lori Lightfoot also wants a Chicago casino, but a spokeswoman did not respond to a request for comment on whether her support for a city casino is separate from the issue of sports wagering.

Some Democratic lawmakers from Chicago are intent on the city getting a casino, especially because so many residents drive across state lines to gamble.

"Our money is going to Indiana. Our money is going to Wisconsin," state Rep. Luis Arroyo said. "We just want our dollars to stay in Chicago,"

But the city doesn't want any of that money to be wagered at slot machines or blackjack tables at horse tracks, which puts it directly at odds with the state's horse racing industry.

Track and horse owners say bringing in new revenue through expanded betting options — including sports wagering — is essential to the survival of their industry, which has seen tracks close and owners take their horses to other states where venues offer a wider variety of gambling and larger purses.

The state's casinos, however, believe creating new licenses or allowing race tracks to have slot machines and table games would only further erode the business they've lost to neighborhood establishments that offer video gambling.

In light of all those conflicting interests, Arlington Park President Tony Petrillo said the best path forward would be to heed Pritzker's call for a stand-alone sports betting measure. Arlington's parent company, Churchill Downs Inc., in March purchased a majority stake in Rivers Casino in Des Plaines.

Breaking from the rest of the horse racing industry, Petrillo said sports betting should be kept separate from other gambling issues to avoid a situation where "if a big gaming bill does not pass, we walk away with nothing."

Even if it's kept separate, the debate over how sports betting should be implemented is far from resolved. House members are still wrangling over several competing proposals and trying to reach agreement on a variety of details, including whether professional sports leagues should get a cut of the revenue.

## COAL, NUCLEAR INTERESTS SPAR AT SENATE COMMITTEE HEARING

*[The Southern](#)*

Advocates from various energy sectors agree that the Illinois Legislature will likely define a radical new energy future with the legislation it does or does not pass this month, but what that future looks like is up for debate.

On Thursday, that debate focused on two bills before the Senate's energy committee: one would benefit the state's coal industry, the other its nuclear industry. Both industries believe their plan of choice will drive the state toward carbon-free energy production at lower costs to ratepayers.

Amendment 1 to Senate Bill 660 is backed by nuclear energy provider Exelon. That bill would reform the state's capacity market — one of two markets affecting energy availability and costs. When capacity is purchased, the product is not the energy itself, but the guarantee that the grid can output necessary energy wattage to satisfy consumer needs three years into the future.

Northern Illinois is currently part of the federally regulated PJM grid which purchases capacity from generators in 13 states and Washington, D.C., at an auction every year. The Exelon-backed bill would remove Illinois from this compact while giving the Illinois Power Agency the authority to purchase capacity.

Kathleen Barron, senior vice president of Government and Regulatory Affairs for Exelon, said capacity reform is necessary to continue to incentivize carbon-free emissions because pending Federal Energy Regulatory Commission changes could remove those incentives from the PJM market.

"By empowering the Illinois Commerce Commission and Illinois Power Agency to take over responsibility for procuring clean generation capacity, we will see increased development of new

renewable resources like wind and solar and continued operation of Illinois' existing clean generation, including its nuclear plants — which produce more than 90 percent of the state's carbon-free energy," Barron said.

The bill would create two pools from which the state would procure capacity: zero-carbon sources and carbon-emitting sources, Barron said.

Dave Kolata, executive director of the Citizens Utility Board, testified in favor of the capacity market portion of the Exelon-backed bill, noting a rate cap included in the bill would help keep costs to the consumer low.

But opponents, including the Illinois Chamber of Commerce, said Exelon's large market share of Illinois energy production would give the company an unfair advantage and potentially drive up energy costs. That's because the number of energy generators participating in capacity auctions would likely shrink if the state leaves the PJM market.

Opponents also said Exelon's generators are all currently profitable, diminishing their claims that the legislation is needed to keep their energy production online.

David Kraft, of the nonprofit nuclear energy watchdog Nuclear Energy Information Service, said nuclear energy, in general, is a danger to Illinois and it should be removed from the market.

Judith Lagano, senior vice president of asset management at NRG Energy which operates coal plants in Illinois, said the bill minimizes competition under the guise of clean energy production.

"(The bill) allows Exelon to name its own price for capacity," Lagano said.

She said Exelon would continue to receive more than \$300 million in credits from Illinois' existing Future Energy Jobs Act, plus the added capacity payments from the state.

"Illinois ratepayers will be compelled to buy what amounts to be the most expensive megawatt hours under the guise of a clean energy market that isn't a market at all," she said, adding that FERC has not yet officially made the capacity market changes Exelon has written the bill to address.

Lagano advocated for a different bill, Amendment 3 to Senate Bill 135, which she said would drive costs and carbon emissions down through greater competition — the opposite, she said, of what the Exelon bill would do.

"Monopolies are bad for clean energy," she said. "What about tomorrow's clean energy technologies? They would be frozen out."

The NRG-backed bill would allow companies to receive clean energy credits for closed fossil fuel plants. Coal-to-gas conversions would be eligible for these credits.

"The act allows an orderly and cost-effective transition from fossil to clean resources," she said, adding that fossil fuels contribute 40 percent of Illinois' energy usage and "are needed to keep the lights on."

Opponents to the NRG bill, however, said it would provide state funding to coal plants that would be closing for financial reasons anyway, diverting this money from renewable energy projects.

“It authorizes billions of dollars in customer-backed payments to coal plant owners for not producing energy,” Barron, of Exelon, said.

No action was taken on the two bills, which remain part of a larger energy discussion at the Statehouse.

Vistra Energy, another Illinois coal provider, is backing House Bill 2713, which is aimed at transitioning closing coal plants into solar and energy storage sites.

Another pair of carbon-cutting, clean energy job-creating bills carried by Chicago Reps. Ann Williams (HB 3624) and Will Davis (HB 2966) passed committee earlier this year as well, and could become part of an “omnibus” package addressing the state’s energy future.