



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB3633

Introduced 2/24/2011, by Rep. Mike Bost

SYNOPSIS AS INTRODUCED:

See Index

Creates the Pension Funding and Fairness Act. Provides that the maximum annual percentage change in State fiscal year spending in the categories specified may not exceed the inflation adjustment factor plus the population adjustment factor and any increases attributable to specified measures. Provides that, in order to adopt an increase in State spending beyond that limitation or in order to adopt an increase in State revenue, a measure must be approved by a three-fifths supermajority vote of all members of each house of the General Assembly and must be approved by a majority of voters. Provides for the imposition of an emergency tax. Establishes the Past Due Paydown Fund and provides that the General Assembly may authorize transfers, appropriations, and allocations from the fund only to fund the costs of paying down the remaining past due debt. Provides that any remaining funds shall be transferred to the State Budget Stabilization Fund. Establishes the State Budget Stabilization Fund to fund the costs of State government up to the expenditure limit in years when State revenues are less than the amount necessary to finance the level of expenditures. Provides that the fund may not exceed 8% of the total General Fund revenues received in the immediately preceding fiscal year, and any excess shall be transferred to the Taxpayer Relief Fund. Establishes the Taxpayer Relief Fund, and provides that, if the amount in the fund exceeds 1% of General Fund expenditures, then the General Assembly shall enact legislation to provide for the refund to taxpayers of amounts in the fund. Amends the State Finance Act to create the Past Due Paydown Fund, the State Budget Stabilization Fund, and the Taxpayer Relief Fund as special funds in the State treasury. Effective immediately.

LRB097 08649 JDS 48778 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Pension Funding and Fairness Act.

6 Section 5. Definitions. As used in this Act:

7 "Emergency" means extraordinary circumstances outside the
8 control of the General Assembly, including catastrophic
9 events, such as a natural disaster, terrorism, fire, war, and
10 riot, and court orders or decrees

11 "General Fund" means the General Revenue Fund, Common
12 School Fund, and Education Assistance Fund.

13 "Increase in revenue" means any legislation or tax levy
14 that is estimated to result in a net gain in State revenue of
15 at least 0.01% of General Fund revenue in at least one fiscal
16 year, and (1) enacts a new tax or fee; (2) increases the rate
17 or expands the base of an existing tax or fee; (3) repeals or
18 reduces any tax exemption, credit, or refund; or (4) extends an
19 expiring tax increase or fee.

20 "Inflation adjustment factor" means the increase in the
21 Chicago Metropolitan Statistical Area Consumer Price Index for
22 the most recently available calendar year as calculated by the
23 United States Department of Labor, Bureau of Labor Statistics.

1 The inflation adjustment factor may not be less than zero or
2 more than 10%.

3 "Population adjustment factor" means the average annual
4 percentage increase in population for the 3 most recent years
5 for which data is available, as determined annually by the
6 United States Department of Commerce, Census Bureau. The
7 population adjustment factor may not be less than zero.

8 "Revenue" means taxes and fees collected by the State.

9 "State spending" means any authorized State appropriations
10 and allocations.

11 "Tax" means any amount raised for the general support of
12 government functions.

13 Section 10. Spending Growth Index.

14 (a) Beginning with the fiscal year that starts after this
15 Act takes effect, the maximum annual percentage change in State
16 fiscal year spending in the categories specified may not exceed
17 the inflation adjustment factor plus the population adjustment
18 factor and any increases attributable to measures approved
19 under Section 15. This limitation, the Spending Growth Index,
20 must be calculated separately for the following categories:
21 General Fund; Road Fund; and all other funds.

22 (b) The following may not be counted in calculating
23 expenditure limitations:

24 (1) Amounts returned to taxpayers as refunds of amounts
25 exceeding the expenditure limitation in a prior year.

- 1 (2) Amounts received from the federal government.
- 2 (3) Amounts collected on behalf of another level of
3 government.
- 4 (4) Pension contributions by employees and pension
5 fund earnings.
- 6 (5) Pension and disability payments made to former
7 government employees.
- 8 (6) Amounts received as grants, gifts, or donations
9 that must be spent for purposes specified by the donor.
- 10 (7) Amounts paid pursuant to a court award.
- 11 (8) Reserve transfers.

12 Section 15. Approval of expenditure increases.

13 (a) In order to adopt an increase in State spending beyond
14 the limitation set forth in Section 10, the measure must be
15 approved by a three-fifths supermajority vote of all members of
16 each house of the General Assembly and must be approved by a
17 majority of voters. Voter approval is not required if the
18 spending is as a result of an increase in State revenue under
19 Section 20.

20 (b) The question of whether to adopt legislation to allow
21 an increase in State spending beyond the limitation set forth
22 in Section 10 must be submitted to the voters for approval at
23 the next general election. If the General Assembly determines
24 by a three-fifths supermajority vote that legislation to
25 increase spending beyond the limitation should take effect

1 sooner than the next general election, the General Assembly may
2 provide for submission of the question to the voters at any
3 regular or special election.

4 A measure submitted to the voters must include an estimate
5 as set forth in the legislation of the spending increase by the
6 measure for the first 3 fiscal years of its implementation.

7 (c) At least 30 days before an election, the Secretary of
8 State shall mail, at least once, a titled notice or set of
9 notices addressed to all registered voters in the State at each
10 address of every registered voter. Notices must include all of
11 the following information and may not include any additional
12 information:

13 (1) The election date, hours, ballot title, and text.

14 (2) For each proposed spending increase, the estimated
15 or actual total of fiscal year spending for the current
16 year and each of the past 4 years, and the overall
17 percentage and dollar change.

18 (3) For the first full fiscal year of each proposed
19 spending increase, estimates of the maximum dollar amount
20 of each increase and of fiscal year spending without the
21 increase.

22 (d) Ballot questions for spending increases must begin:
23 "Shall State spending increase by (amount of first or, if
24 phased in, full fiscal year dollar increase) annually for the
25 purpose of . . .?".

26 (e) The State shall reimburse municipalities and counties

1 for the costs of a special election.

2 Section 20. Approval of revenue increases.

3 (a) In order to adopt an increase in State revenue, the
4 measure must be approved by a three-fifths supermajority vote
5 of all members of each house of the General Assembly and must
6 be approved by a majority of voters. Voter approval is not
7 required if annual State revenue is less than annual payments
8 on general obligation bonds, required payments relating to
9 pensions, and final court judgments or the measure is an
10 emergency tax.

11 (b) The question of whether to adopt legislation to impose
12 an increase in revenue of the State must be submitted to the
13 voters for approval at the next general election. If the
14 General Assembly determines by a three-fifths supermajority
15 vote that legislation to increase revenue via an emergency tax
16 should take effect sooner than the next general election, the
17 General Assembly may provide for submission of the question to
18 the voters at any regular or special election.

19 A measure submitted to the voters must include an estimate
20 of the amount to be raised by the measure for the first 3
21 fiscal years of its implementation.

22 (c) At least 30 days before an election, the Secretary of
23 State shall mail, at least once, a titled notice or set of
24 notices addressed to all registered voters at each address of
25 every registered voter. Notices must include all of the

1 following information and may not include any additional
2 information:

3 (1) The election date, hours, ballot title, and text.

4 (2) For each proposed revenue increase, the estimated
5 or actual total of fiscal year spending for the current
6 year and each of the past 4 years, and the overall
7 percentage and dollar change.

8 (3) For the first full fiscal year of each proposed
9 revenue increase, estimates of the maximum dollar amount of
10 each increase and of fiscal year spending without the
11 increase.

12 (d) Ballot questions for revenue increases must begin:
13 "Shall (description of the tax increase) to increase State
14 revenues by (amount of first or, if phased in, full fiscal year
15 dollar increase) annually for the purpose of . . .?".

16 (e) The State shall reimburse municipalities and counties
17 for the costs of a special election.

18 Section 25. Emergency taxes.

19 (a) The State may impose emergency taxes only in accordance
20 with this Section.

21 (b) The tax must be approved for a specified time period by
22 a three-fifths majority of the members of each house of the
23 General Assembly.

24 (c) Emergency tax revenue may be spent only after other
25 available reserves are depleted and must be refunded 180 days

1 after the emergency ends if not spent on the emergency.

2 (d) The tax must be submitted for approval by the voters at
3 the next regular election.

4 (e) If not approved by the voters as provided in subsection
5 (d), the emergency tax expires 30 days following the election.

6 Section 30. Past Due Paydown Fund. The Past Due Paydown
7 Fund is established as a special fund in the State treasury and
8 must be administered for the purposes identified in this
9 Section. At the close of the lapse period for each fiscal year
10 beginning in 2013, the State Comptroller shall identify the
11 amount of General Fund unappropriated surplus above the
12 Spending Growth Index limitation and transfer to the fund any
13 amount necessary up to the total past due operating debt owed
14 by the State as of the close of fiscal year 2012.

15 The General Assembly may authorize transfers,
16 appropriations, and allocations from the fund only to fund the
17 costs of paying down the remaining past due debt until such
18 debt is zero. Any remaining funds shall be transferred to the
19 State Budget Stabilization Fund.

20 Section 35. State Budget Stabilization Fund. The State
21 Budget Stabilization Fund is established as a special fund in
22 the State treasury and must be administered for the purposes
23 identified in this Section. At the close the lapse period of
24 each fiscal year, the State Comptroller shall identify the

1 amount of General Fund unappropriated surplus above the State
2 Spending Growth Index expenditure limitation and above the
3 amount necessary to fully fund and pay down the past due
4 operating debt to zero. The fund may not exceed 8% of the total
5 General Fund revenues received in the immediately preceding
6 fiscal year.

7 The General Assembly may authorize transfers,
8 appropriations, and allocations from the fund only to fund the
9 costs of State government up to the expenditure limit
10 calculated under Section 10 in years when State revenues are
11 less than the amount necessary to finance the level of
12 expenditures permitted under Section 10. Transfers require a
13 three-fifths supermajority vote of the General Assembly.

14 The money in the fund may be invested as provided by law,
15 with the earnings credited to the fund. At the close of every
16 month during which the fund is at the 8% limitation, the State
17 Comptroller shall transfer the excess to the Taxpayer Relief
18 Fund.

19 Section 40. Taxpayer Relief Fund. The Taxpayer Relief Fund
20 is established as a special fund in the State treasury and must
21 be administered for the purposes identified in this Section. At
22 the close of the lapse period of each fiscal year, the State
23 Comptroller shall identify the amount of General Fund
24 unappropriated surplus above the State expenditure limitation
25 and above the amount necessary to fully fund the Past Due

1 Paydown Fund and the Budget Stabilization Fund.

2 By September 1st annually, the State Comptroller shall
3 notify the Commission on Government Forecasting and
4 Accountability and the Department of Revenue of the amount in
5 the fund as a result of the transfers.

6 If the amount in the fund exceeds 1% of General Fund
7 expenditures, then the General Assembly shall, by September
8 15th, enact legislation to provide for the refund to taxpayers
9 of amounts in the fund. Refunds may take the form only of
10 temporary or permanent broad-based tax rate reductions.

11 If the General Assembly does not enact legislation by
12 September 15th to provide refunds, then the State Comptroller
13 shall, by September 30th, notify the Department of Revenue of
14 the amount in the fund. The Department of Revenue shall
15 calculate a one-time bonus personal exemption refund. The
16 amount of the personal exemption refund must be calculated by
17 dividing the amount in the fund identified by the State
18 Comptroller by the number of personal exemptions claimed on
19 income tax returns filed for tax year beginning in the previous
20 calendar year. The Department of Revenue shall issue a refund
21 by October 30th to a taxpayer who filed an income tax return by
22 April 15th of the same calendar year based on the number of
23 exemptions claimed (times refund per exemption) on the
24 taxpayer's return without regard to the taxpayer's tax
25 liability for the year.

1 Section 45. Pension payments.

2 (a) For the purposes of this Section:

3 "Actual expenditures" means the payment of State funds to
4 satisfy any State financial obligation.

5 "First appropriation" means any legislation as part of the
6 annual budgetary and appropriation process must be directed to
7 authorize and require the full pension payment prior to any
8 other appropriations or expenditures.

9 "First expenditure" means that any authorized State
10 appropriation and subsequent actual payments must have the
11 first payment be made toward the annual required pension
12 payment.

13 "Monthly pro rata pension payment" means the average
14 monthly pension payment calculated by dividing the total fiscal
15 year annual pension payment by 12 months.

16 "Pension payment" means the total annual required pension
17 payment for each fiscal year as defined by the Commission on
18 Government Forecasting and Accountability following generally
19 accepted accounting principles.

20 (b) Notwithstanding any other law, beginning with fiscal
21 year 2012 and for each budget year thereafter, the General
22 Assembly's first appropriation each year must be directed to
23 make the full annual pension payment defined by the Commission
24 on Government Forecasting and Accountability and in compliance
25 with generally accepted accounting principles. This
26 appropriation must be made first and executing it (making the

1 actual payments required by it) shall take precedence over any
2 other appropriation or expenditure.

3 Exceptions may be made to the pension payment requirement
4 in this subsection (b) if authorized by a law approved by a
5 three-fifths vote of each chamber of the General Assembly and
6 approved by the Governor. Any exceptions made by the General
7 Assembly shall specify the dollar amount and purposes of
8 appropriations which shall be made prior to the pension
9 payment.

10 (c) By March 1 of each year, the State Comptroller shall
11 take the total annually required pension payment for the
12 upcoming fiscal year (beginning on July 1) and divide that
13 number by 12. This amount becomes the monthly pro rata pension
14 payment for each month of the upcoming fiscal year.

15 If during the fiscal year, the Commission on Government
16 Forecasting and Accountability adjusts the annually required
17 pension payment for the current year upward, the State
18 Comptroller shall recalculate the monthly pro rata pension
19 payment upward accordingly and allocate the increase evenly
20 over the remaining months to ensure that the full annual
21 pension payment is made for the fiscal year.

22 If during the fiscal year, the Commission on Government
23 Forecasting and Accountability adjusts the annually required
24 pension payment downward, the original payment schedule shall
25 be maintained. Payments in excess of the revised payment
26 schedule shall be allocated to any existing unfunded pension

1 liability.

2 If during the fiscal year, the Commission on Government
3 Forecasting and Accountability adjusts the annually required
4 pension payment downward, and if there is no remaining unfunded
5 pension liability as calculated by Commission on Government
6 Forecasting and Accountability and in compliance with
7 generally accepted accounting principles, then the State
8 Comptroller shall recalculate the monthly pro rata pension
9 payment downward accordingly and allocate the reduction evenly
10 over the remaining months to ensure that the full annual
11 pension payment is made for the fiscal year.

12 By no later than the 5th of each month, the Comptroller
13 shall disburse funds as authorized by the pension payment
14 appropriation to the various State retirement systems such that
15 the total payment equals the monthly pro rata pension payment.
16 The payments shall be allocated proportionally to each
17 retirement fund as calculated by the Commission on Government
18 Forecasting and Accountability.

19 There shall be no exceptions to this subsection (c) except
20 as authorized by a law approved by three-fifths vote of each
21 chamber of the General Assembly and approved by the Governor.

22 (d) If for any reason the monthly pro rata pension payment
23 is not made by the 5th of the month, or if for any reason the
24 accumulated payments for the year do not equal the sum of the
25 monthly pro rata pension payments for the months having passed
26 during the fiscal year, then the State Comptroller shall cease

1 all payments from State resources until such time as the
2 pension payment is brought current for the year.

3 There shall be no exceptions to this subsection (d) except
4 as authorized by a law approved by a three-fifths vote of each
5 chamber of the legislature and approved by the Governor.

6 Section 90. The State Finance Act is amended by adding
7 Sections 5.786, 5.787, and 5.788 as follows:

8 (30 ILCS 105/5.786 new)

9 Sec. 5.786. The Past Due Paydown Fund.

10 (30 ILCS 105/5.787 new)

11 Sec. 5.787. The State Budget Stabilization Fund.

12 (30 ILCS 105/5.788 new)

13 Sec. 5.788. The Taxpayer Relief Fund.

14 Section 99. Effective date. This Act takes effect upon
15 becoming law.

1 INDEX

2 Statutes amended in order of appearance

3 New Act

4 30 ILCS 105/5.786 new

5 30 ILCS 105/5.787 new

6 30 ILCS 105/5.788 new