



Illinois Government Finance Officers Association

In partnership with the Illinois Municipal League

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Illinois General Assembly Passes State Fiscal Year 2021 Budget & Legislative Response to COVID-19

State Fiscal Year 2021 Budget

The General Assembly adopted a State Fiscal Year (SFY) 2021 budget, which will begin on July 1, 2020. The House and Senate both passed three pieces of legislation related to the budget:

[SB 264 \(Sen. Harmon, D-Oak Park/Rep. Harris, D-Chicago\)](#), which is the general appropriations bill.

[HB 64 \(Rep. Hoffman, D-Swansea/Sen. Harmon, D-Oak Park\)](#), which is the capital appropriations bill.

[HB 357 \(Rep. Harris, D-Chicago/Sen. Harmon, D-Oak Park\)](#), which is referred to as the SFY 2021 Budget Implementation (BIMP) bill.

The SFY 2021 budget is considered a relatively flat budget for the state, meaning no significant changes were made to spending when compared to SFY 2020, excluding COVID-19 response spending. The state estimates that they will receive \$42.885 billion in revenues, inclusive of \$4.75 billion in borrowing from the federal government. The SFY

2021 budget appropriates \$42.861 billion. Despite the lack of major programmatic changes, this state budget continues to have a significant impact on municipalities.

The COVID-19 pandemic will have a direct impact on municipal revenues for the foreseeable future. [Linked here is an IML memo from May 4 providing a preliminary forecast of the impact COVID-19 will have on municipal revenues.](#) This initial estimate is only an initial forecast and will be modified to reflect the new state budget and other additional information in early June.

Detailed information about how the budget will affect municipalities is provided below:

Local Government Distributive Fund (LGDF)

IML prioritizes the complete restoration of full funding to LGDF. In the SFY 2018 budget, the General Assembly adopted a 10% one-time cut to municipalities. In SFY 2019 and SFY 2020, the enacted budget contained a 5% cut to municipalities. In the SFY 2021 Budget Implementation bill, those previous “one-time” cuts to LGDF are eliminated. That means LGDF revenue rates will increase slightly (by eliminating the 5% cut made in SFY 2020). This budget marks the first time in several years that LGDF has not been reduced.

IML will continue to work toward full funding of LGDF every year, until the General Assembly returns municipalities to their original 10% share of state income tax collections.

[IML's fact sheet on LGDF is available via this link as a resource.](#)

Sales Tax Administrative Fee

The SFY 2021 budget maintains the 1.5% administrative fee charged to local governments by the Illinois Department of Revenue (IDOR) to collect locally-imposed sales taxes.

IML has proposed that the General Assembly eliminate, or at least continue to reduce, this and other administrative fees charged to municipalities. We will continue to work to ensure the full amount of local revenues are available for local services, without these burdensome fees.

[For your information, IML's fact sheet on locally-imposed sales taxes is available via this link.](#)

Personal Property Replacement Tax (PPRT) Diversions

For SFY 2021, the budget diverts \$311.9 million from PPRT. These diversions continue the frustrating erosion of local revenues that has occurred for the last several years out of PPRT.

IML opposes all PPRT diversions and has proposed finding a long-term solution to resolve this annual fight to preserve and retain appropriate PPRT funding.

IML has developed a “PPRT 101” information sheet that provides a brief explanation of what PPRT is and why it is important to local governments. [That document is available via this link.](#)

Local Government Pass-Through Revenues

SB 264 ([available via this link](#)) includes full funding for local government pass-through revenues (Motor Fuel Tax (MFT), Transportation Renewal Funds (TRF), video/casino gaming, Use Tax and emergency 9-1-1 system funds). This amounts to more than \$1 billion in revenue to local governments during SFY 2021.

IML continuously advocates for the inclusion of automatic pass-through funding appropriation authority in each budget and had SB 2742 ([Sen. DeWitte, R-St. Charles](#)) and HB 4310 ([Rep. Meyers-Martin, D-Olympia Fields](#)) introduced this spring that would accomplish that goal. Neither bill advanced to passage, but IML will continue its efforts to enact this change.

Legislative Response to COVID-19

Outside of the budget, the other primary focus of the General Assembly during its Special Session was to consider legislation to respond to the COVID-19 pandemic. IML has been at the forefront of these discussions and met frequently with legislators through conference calls and web meetings. IML highlighted its advocacy efforts through its dedicated COVID-19 webpage: iml.org/covid. Each of IML's administrative and legislative requests were assembled into a [compilation of requests \(available via this link\)](#) and provided to each member of the General Assembly to emphasize the needs of municipalities throughout the state in order to effectively respond to and recover from the COVID-19 pandemic. Additionally, IML regularly discussed these issues with legislative staff throughout the General Assembly's extended break and then finally during the Special Session

Several IML initiatives were included in SB 2135 ([Sen. Elgie Sims, D-Chicago/Rep. Kelly Burke, D-Evergreen Park](#)), which provides flexibility to municipalities when passing their annual appropriation or budget ordinances. Specifically, if a disaster, state of emergency or national emergency that impacts a municipality is declared within 60 days of the end of a municipality's fiscal year, the deadlines for an annual appropriation ordinance or annual budget ordinance are extended throughout the duration of the emergency or disaster and for 60 days thereafter. Additionally, SB 2135 allows for open or closed meetings by audio or video conference in the event of a disaster declaration, so long as certain conditions are met. IML supported the bill. These changes are retroactive to January 1, 2020, and become effective immediately. The bill passed both chambers and will now be considered by the Governor.

The General Assembly included in the BIMP bill the creation of the Local Coronavirus Urgent Remediation Emergency (Local CURE) Support Program. This program utilizes some of the funding received by the state from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act.

Units of local government, which did not receive direct funding through the CARES Act, will receive approximately \$250 million from the state's appropriation based on a per capita basis. Revenues received under this program are required to be spent on expenses directly related to the COVID-19 pandemic that were not accounted for in the municipality's most recent budget approved as of March 27, 2020. Expenses eligible for reimbursement must have been incurred between March 1, 2020, and December 30, 2020.

Unfortunately, the Illinois General Assembly failed to address several municipal concerns

and IML is disappointed in their lack of action on these important issues. We will continue to advocate for these issues to be addressed by the General Assembly in future sessions. A list of some of the outstanding issues is below:

- [Article 3 and Article 4 Pension Fund Re-amortization](#)
- [Freedom of Information Act Reply Extensions During the Pandemic](#)
- [Non-Home Rule Sales Tax Authority](#)
- [Non-Home Rule Motor Fuel Tax Authority](#)
- [Restoring the Municipal Share of LGDF Revenues](#)
- [Codification of the Public Duty Rule](#)
- [Website Posting of the Annual Treasurer's Report](#)

The General Assembly passed various other pieces of legislation in response to the COVID-19 pandemic that may or may not impact municipal operations. A description of those bills is below:

[HB 2455 \(Rep. Hoffman, D-Swansea/Sen. Holmes, D-Aurora\)](#) provides essential workers with a temporary rebuttable presumption, through workers' compensation insurance coverage, that they contracted COVID-19 during the course of their employment, but employers are allowed to offer a rebuttal of that presumption if the employers are following Centers for Disease Control and Prevention (CDC) and the Illinois Department of Public Health (IDPH) guidance regarding safety in the workplace.

[HB 2682 \(Rep. Zalewski, D-Riverside/Sen. Feigenholtz, D-Chicago\)](#) makes various changes to the Liquor Control Act in response to the COVID-19 pandemic. It waives late filing fees for state liquor licenses, authorizes the deferral of fees for state liquor licenses and provides for automatic renewals of state liquor licenses. Additionally, the legislation allows retail licensees to prepare and sell cocktails or mixed drinks for off-site consumption. This provision has various regulations in place and the provision expires after one year. IML is reviewing the language and may provide future legal guidance on this legislation.

[SB 685 \(Sen. Koehler, D-Peoria/Rep. Zalewski, D-Riverside\)](#) allows a county board to waive fees and penalties for late property tax payments for either 120 days after the effective date of the legislation or until the first day of the month after the public health emergency ends, whichever is earlier. The legislation also addresses property tax exemptions, property tax sales and tax scavenger sales.

[SB 1569 \(Sen. Bertino-Tarrant, D-Shorewood/Rep. Davis, D-Hazel Crest\)](#) is an education bill that addresses various provisions for school districts responding to the COVID-19 pandemic. Provisions in the legislation include extending professional educator licenses, providing remote learning requirements during a public health emergency disaster declaration and requiring general education courses taken during the COVID-19 pandemic to be accepted if a student received a grade of "pass," "credit" or "satisfactory."

[SB 1864 \(Sen. Hunter, D-Chicago/Rep. Harris, D-Chicago\)](#) creates the Health Care Affordability Act and permits the Department of Healthcare and Family Services (DHFS) to take necessary actions to address the COVID-19 public health emergency to the extent such actions are required, approved or authorized by the Centers for Medicare and Medicaid Services. The bill also requires, among other things, for DHFS, in consultation

with the Department of Insurance, to oversee a feasibility study to explore options to make health insurance more affordable for Illinois residents, creates a Kidney Disease Prevention and Education Task Force and requires medical assistance programs to provide coverage for routine costs that are incurred in the course of an approved clinical trial.

Even though the General Assembly has adjourned until November 17, unless called back sooner for a specific purpose, IML staff will continue its advocacy for the benefit of all our members. [Our legislative website \(available at iml.org/legislative\)](http://iml.org/legislative) is regularly updated with helpful resources for our members to utilize when they interact with state and federal officials.

IML continues to claim a seat at the table to give voice to the challenges facing municipal officials. We are proud to fight for the protection of local authority and shared or direct revenues that are critical to Illinois' 1,298 cities, villages and towns.

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