

**97TH GENERAL ASSEMBLY****State of Illinois****2011 and 2012****SB0036**

Introduced 1/27/2011, by Sen. Matt Murphy - Dale A. Righter

SYNOPSIS AS INTRODUCED:

See Index

Creates the Pension Funding and Fairness Act. Provides that the maximum annual percentage change in State fiscal year spending may not exceed the inflation adjustment factor plus the population adjustment factor. Provides that, in order to adopt an increase in State spending beyond that limit or an increase in State revenue, the measure must be approved by a three-fifths supermajority vote of each chamber 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, into which the Comptroller shall transfer any amount necessary up to the total past due operating debt owed by the State, and provides that the General Assembly may authorize transfers, appropriations, and allocations from the fund to fund only the costs of paying down the remaining past due debt. Requires any remaining funds to be transferred into 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 expenditures. Limits the fund from exceeding 8% of the total General Fund revenues received in the immediately preceding fiscal year, and requires the transfer of any excess into the Taxpayer Relief Fund. Establishes the Taxpayer Relief Fund, and provides that, if the amount in that 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. Contains provisions concerning annual pension payments. Amends the State Finance Act to make conforming changes. Effective immediately.

LRB097 05056 JDS 45097 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, as well as court orders or decrees

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

13 "Increase in State revenue" means any net gain in State
14 revenue of at least 0.01% of General Fund revenue in at least
15 one fiscal year that results from (1) enacting a new tax or
16 fee; (2) increasing the rate or expanding the base of an
17 existing tax or fee; (3) repealing or reducing a tax exemption,
18 credit, or refund; or (4) extending an expiring tax increase or
19 fee.

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

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

3 "Monthly pro rata pension payment" means the average
4 monthly pension payment calculated by dividing the total fiscal
5 year annual pension payment by 12 months.

6 "Pension payment" means the total annual required pension
7 payment for each fiscal year as defined by the Commission on
8 Government Forecasting and Accountability following generally
9 accepted accounting principles.

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

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

16 "State spending" means any authorized State appropriations
17 and allocations.

18 "Tax" means any amount raised for the general support of
19 government functions.

20 Section 10. Spending Growth Index.

21 (a) Beginning with the fiscal year that starts after this
22 Act takes effect, the maximum annual percentage change in State
23 fiscal year spending in the categories specified may not exceed
24 the inflation adjustment factor plus the population adjustment
25 factor. This limitation, the Spending Growth Index, must be

1 calculated separately for the following categories: General
2 Fund; Road Fund; and all other funds.

3 (b) The following may not be counted in calculating
4 expenditure limitations or, if applicable, revenue
5 limitations:

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

8 (2) Amounts received from the federal government.

9 (3) Amounts collected on behalf of another level of
10 government.

11 (4) Pension contributions by employees and pension
12 fund earnings.

13 (5) Pension and disability payments made to former
14 government employees.

15 (6) Amounts received as grants, gifts, or donations
16 that must be spent for purposes specified by the donor.

17 (7) Amounts paid pursuant to a court award.

18 (8) Reserve transfers.

19 Section 15. Approval of expenditure increases.

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

1 Section 20.

2 (b) The question of whether to adopt legislation to allow
3 an increase in State spending beyond the limitation set forth
4 in Section 10 must be submitted to the voters for approval at
5 the next general election. If the General Assembly determines
6 by a three-fifths supermajority vote that legislation to
7 increase spending beyond the limitation should take effect
8 sooner than the next general election, the General Assembly may
9 provide for submission of the question to the voters at any
10 regular or special election.

11 A measure submitted to the voters must include an estimate
12 as set forth in the legislation of the spending increase
13 resulting from the measure for the first 3 fiscal years of its
14 implementation.

15 (c) At least 30 days before an election at which voter
16 approval of an increase in State spending is sought, the
17 Secretary of State shall mail, at least once, a titled notice
18 or set of notices addressed to all registered voters in the
19 State at each address of every registered voter. Notices must
20 include all of the following information and may not include
21 any additional information:

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

23 (2) For each proposed spending increase, the estimated
24 or actual total of fiscal year spending for the current
25 year and each of the past 4 years, and the overall
26 percentage and dollar change.

1 (3) For the first full fiscal year of each proposed
2 spending increase, estimates of the maximum dollar amount
3 of each increase and of fiscal year spending without the
4 increase.

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

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

11 Section 20. Approval of revenue increases.

12 (a) In order to adopt an increase in State revenue, the
13 measure must be approved by a three-fifths supermajority vote
14 of all members of each house of the General Assembly and must
15 be approved by a majority of voters. Voter approval is not
16 required if annual State revenue is less than annual payments
17 on general obligation bonds, required payments relating to
18 pensions, and final court judgments or if the measure is an
19 emergency tax.

20 (b) The question of whether to adopt legislation to impose
21 an increase in revenue of the State must be submitted to the
22 voters for approval at the next general election. If the
23 General Assembly determines by a three-fifths supermajority
24 vote that legislation to increase revenue via an emergency tax
25 should take effect sooner than the next general election, the

1 General Assembly may provide for submission of the question to
2 the voters at any regular or special election.

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

6 (c) At least 30 days before an election at which voter
7 approval of a revenue increase is sought, the Secretary of
8 State shall mail, at least once, a titled notice or set of
9 notices addressed to all registered voters at each address of
10 every registered voter. Notices must include all of the
11 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 revenue 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 revenue increase, estimates of the maximum dollar amount of
20 each increase and of fiscal year spending without the
21 increase.

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

26 (e) The State shall reimburse municipalities and counties

1 for the costs of a special election.

2 Section 25. Emergency taxes.

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

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

8 (c) Emergency tax revenue may be spent only after other
9 available reserves are depleted and must be refunded 180 days
10 after the emergency ends if not spent on the emergency.

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

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

15 Section 30. Past Due Paydown Fund. The Past Due Paydown
16 Fund is established as a special fund in the State treasury and
17 must be administered for the purposes identified in this
18 Section. At the close of the lapse period of each fiscal year,
19 the State Comptroller shall identify the amount of General Fund
20 unappropriated surplus above the Spending Growth Index
21 limitation and transfer to the fund any amount necessary up to
22 the total past due operating debt owed by the State as of the
23 close of that fiscal year.

24 The General Assembly may authorize transfers,

1 appropriations, and allocations from the fund only to fund the
2 costs of paying down the remaining past due debt until such
3 debt is zero. Any remaining funds shall be transferred to the
4 State Budget Stabilization Fund.

5 Section 35. State Budget Stabilization Fund. The State
6 Budget Stabilization Fund is established as a special fund in
7 the State treasury and must be administered for the purposes
8 identified in this Section. At the close of the lapse period of
9 each fiscal year, the State Comptroller shall identify the
10 amount of General Fund unappropriated surplus above the State
11 Spending Growth Index expenditure limitation and above the
12 amount necessary to fully fund and pay down the past due
13 operating debt to zero. The fund may not exceed 8% of the total
14 General Fund revenues received in the immediately preceding
15 fiscal year.

16 The General Assembly may authorize transfers,
17 appropriations, and allocations from the fund to fund only the
18 costs of State government up to the expenditure limit
19 calculated under Section 10 in years when State revenues are
20 less than the amount necessary to finance the level of
21 expenditures permitted under Section 10. Transfers require a
22 three-fifths supermajority vote of the General Assembly.

23 The money in the fund may be invested as provided by law,
24 with the earnings credited to the fund. At the close of every
25 month during which the fund is at the 8% limitation, the State

1 Comptroller shall transfer the excess to the Taxpayer Relief
2 Fund.

3 Section 40. Taxpayer Relief Fund. The Taxpayer Relief Fund
4 is established as a special fund in the State treasury and must
5 be administered for the purposes identified in this Section. At
6 the close of the lapse period of each fiscal year, the State
7 Comptroller shall identify the amount of the General Fund
8 unappropriated surplus above the State expenditure limitation
9 and above the amount necessary to fully fund the Past Due
10 Paydown Fund and the Budget Stabilization Fund.

11 By August 1st annually, the State Comptroller shall notify
12 the Commission on Government Forecasting and Accountability
13 and the Department of Revenue of the amount in the fund as a
14 result of the transfers.

15 If the amount in the fund exceeds 1% of General Fund
16 expenditures, then the General Assembly shall, by November
17 15th, enact legislation to provide for the refund to taxpayers
18 of amounts in the fund. Refunds may take the form only of
19 temporary or permanent broad-based tax rate reductions.

20 If the General Assembly does not enact legislation by
21 November 15th to provide refunds, then the State Comptroller
22 shall, by November 30th, notify the Department of Revenue of
23 the amount in the fund. The Department of Revenue shall
24 calculate a one-time bonus personal exemption refund. The
25 amount of the personal exemption refund must be calculated by

1 dividing the amount in the fund identified by the State
2 Comptroller by the number of personal exemptions claimed on
3 income tax returns filed for the tax year beginning in the
4 previous calendar year. The Department of Revenue shall issue a
5 refund by December 30th to a taxpayer who filed an income tax
6 return by April 15th of the same calendar year based on the
7 number of exemptions claimed (times refund per exemption) on
8 the taxpayer's return without regard to the taxpayer's tax
9 liability for the year.

10 Section 45. Pension payments.

11 (a) Notwithstanding any other law, beginning with fiscal
12 year 2012 and for each budget year thereafter, the General
13 Assembly's first appropriation each year must be directed to
14 make the full annual pension payment defined by the Commission
15 on Government Forecasting and Accountability, acting in
16 compliance with generally accepted accounting principles. This
17 appropriation must be made first, and executing it (making the
18 actual payments required by it) shall take precedence over any
19 other appropriation or expenditure.

20 Exceptions may be made to the pension payment requirement
21 in this subsection (a) if authorized by a law approved by a
22 three-fifths vote of each chamber of the General Assembly and
23 approved by the Governor. Any exceptions made by the General
24 Assembly shall specify the dollar amount and purposes of
25 appropriations that shall be made prior to the pension payment.

1 (b) By March 1 of each year, the State Comptroller shall
2 take the total annually required pension payment for the
3 upcoming fiscal year (beginning on July 1) and divide that
4 number by 12. This amount becomes the monthly pro rata pension
5 payment for each month of the upcoming fiscal year.

6 If, during the fiscal year, the Commission on Government
7 Forecasting and Accountability adjusts the annually required
8 pension payment for the current year upward, the State
9 Comptroller shall recalculate the monthly pro rata pension
10 payment upward accordingly and allocate the increase evenly
11 over the remaining months to ensure that the full annual
12 pension payment is made for the fiscal year.

13 If, during the fiscal year, the Commission on Government
14 Forecasting and Accountability adjusts the annually required
15 pension payment downward, the original payment schedule shall
16 be maintained. Payments in excess of the revised payment
17 schedule shall be allocated to any existing unfunded pension
18 liability.

19 If, during the fiscal year, the Commission on Government
20 Forecasting and Accountability adjusts the annually required
21 pension payment downward, and if there is no remaining unfunded
22 pension liability as calculated by the Commission on Government
23 Forecasting and Accountability in compliance with generally
24 accepted accounting principles, then the State Comptroller
25 shall recalculate the monthly pro rata pension payment downward
26 accordingly and allocate the reduction evenly over the

1 remaining months to ensure that the full annual pension payment
2 is made for the fiscal year.

3 By no later than the 5th of each month, the Comptroller
4 shall disburse funds as authorized by the pension payment
5 appropriation to the various State retirement systems so that
6 the total payment equals the monthly pro rata pension payment.
7 The payments shall be allocated proportionally to each
8 retirement fund as calculated by the Commission on Government
9 Forecasting and Accountability.

10 There shall be no exceptions to this subsection (b) except
11 as authorized by a law approved by a three-fifths vote of each
12 chamber of the General Assembly and approved by the Governor.

13 (c) If for any reason the monthly pro rata pension payment
14 is not made by the 5th of the month, or if for any reason the
15 accumulated payments for the year do not equal the sum of the
16 monthly pro rata pension payments for the months having passed
17 during the fiscal year, then the State Comptroller shall cease
18 all payments from State resources until such time as the
19 pension payment is brought current for the year.

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

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

1 (30 ILCS 105/5.786 new)

2 Sec. 5.786. The Past Due Paydown Fund.

3 (30 ILCS 105/5.787 new)

4 Sec. 5.787. The State Budget Stabilization Fund.

5 (30 ILCS 105/5.788 new)

6 Sec. 5.788. The Taxpayer Relief Fund.

7 Section 99. Effective date. This Act takes effect upon
8 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