

LEGISLATIVE STATUS REPORT

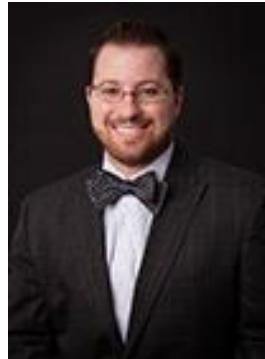
2019 END OF SESSION UPDATE
METRO WEST COUNCIL OF GOVERNMENT



OUR TEAM



Steve Morrill. An attorney and a former Parliamentarian and legal counsel of the Illinois Senate, Mr. Morrill wrote the parliamentary rules for the state legislature and Cook County Board, and served as a transition adviser to the Illinois governor, among others. Morrill is both "Of Counsel" at the law firm Barnes & Thornburg, LLP, and a principal at Morrill & Fiedler. Morrill has more than 30 years of wide-ranging lobbying experience (in fields including transportation, procurement, local government, energy, real estate, professional regulation, and higher education). Morrill graduated *cum laude* from the Northwestern University School of Law, where he was an editor of the Law Review, and he earned a B.A. in Economics from Northwestern University.



Curt Fiedler. Mr. Fiedler is a principal at Morrill & Fiedler, LLC, directing the efforts regarding the legislative process, government relations, and legislative research for Morrill & Fiedler. Mr. Fiedler manages the legislative monitoring program of Morrill & Fiedler, and, with more than 15 years of experience, enjoys strong staff relationships within all four legislative caucuses and the Office of the Governor. Since beginning his state government career in 2000, Fiedler has developed broad lobbying experience at the state and local levels of government -- including serving five years as a Commissioner on the Economic & Commercial Commission for the Village of Tinley Park (including two years as Chairman). Prior to his lobbying career, Fiedler spent five years working under House Republican Leader Tom Cross concentrating on state finance, economic development, state gaming, and taxation issues. Fiedler graduated *cum laude* from Olivet Nazarene University in 2000, earning a B.A. in Political Science. Fiedler resides in Tinley Park, Illinois.



Chuck Hartke. Mr. Hartke is a government relations consultant working exclusively with Morrill & Fiedler. Former state representative (having served as former Assistant Majority Leader of the Illinois House) former Secretary of the Illinois Department of Agriculture, Mr. Hartke brings substantial experience as a lobbyist to the team. Hartke also oversees a substantial farming operation with his two children. He graduated from Teutopolis High School in 1962, and he served his country in the United States Army from 1966–1968, including a tour in Vietnam.

OUR TEAM



Gary Hannig. Mr. Hannig is a government relations consultant working exclusively with Morrill & Fiedler. In his distinguished governmental career, Mr. Hannig has held the positions of Director, Legislative Affairs for Gov. Pat Quinn; Secretary, Illinois Department of Transportation; and Illinois State Representative and Deputy Majority Leader.

As a senior member of Governor Quinn's leadership team, Hannig negotiated and supported major bills for the Governor, including legislation on energy and renewables policy; as part of Speaker Madigan's leadership team, Hannig became intimately familiar with major energy legislation, including the 1997 electric restructuring law and the creation of the Illinois Power Authority. Prior to his service in Illinois state government, Mr. Hannig worked as a Certified Public Accountant in the public utilities division of Arthur Anderson, where he performed financial audits of Illinois public utilities. He graduated with honors from the University of Illinois at Champaign Urbana, with a Bachelor of Science degree in Accounting, and he resides in Litchfield, Illinois.



Hannah Smith. Ms. Smith serves as Office Manager and Government Relations for Morrill & Fiedler. Among other duties, she oversees the lobbyist registration and disclosure program for the firm and its clients, participates in legislative monitoring and client reporting programs of the firm, and assists with lobbying the members of the General Assembly. Before joining M&F, Smith served as a Deputy Marshal for the Illinois Supreme Court, where she

regularly interacted with judicial officials and staff as well as local, state and federal law enforcement officials. Before her tenure at the Court, she served in the Supreme Court Clerk's office, managing intra-court communication and coordinating various ceremonies and procedures. Smith has also worked as a Committee Clerk and Transcript Editor at the Clerk's Office for the Illinois House of Representatives. Ms. Smith has a strong knowledge of the legislative process and enjoys good relationships with many members of the Illinois General Assembly and legislative staff. She earned a B.A. in Sociology and Anthropology with honors from the University of Illinois Springfield, where she completed the Capitol Scholars Honors Program. Ms. Smith resides in Springfield, Illinois.



Craig S. Burkhardt. Mr. Burkhardt is Co-Chair of the Barnes & Thornburg LLP's Federal Relations Practice Group, advising clients on government relations, grants and regulatory actions, including energy matters on the state and federal levels. Mr. Burkhardt served as White House-appointed Chief Counsel for Technology at the U. S. Department of Commerce, and supervised the legal team investigating the New York World Trade Center building and fire safety disaster. He served as a legal advisor to the Rauner gubernatorial campaign, and regularly partners with M&A in its state government relations work. Mr. Burkhardt received his J.D. from St. Louis University in 1984, and his B.A. in Economics from the

University of Illinois at Urbana-Champaign.

OVERVIEW: 2019 SPRING SESSION & POLITICAL DYNAMICS

Democrats Win All Constitutional Offices & Super-Majorities in General Assembly

- ▶ Governor Pritzker and Lt. Governor Julianna Stratton
- ▶ Attorney General Kwame Raoul
- ▶ Treasurer Michael Frerichs and Comptroller Susana Mendoza win re-election
- ▶ Democrats win super-majorities in the Illinois Senate (40 Democrats, 19 Republicans) and the Illinois House (74 Democrats, 44 Republicans)

OVERVIEW: RAUNER EFFECT – 31% TURNOVER IN 101ST GENERAL ASSEMBLY

Legislative Fatigue

- ▶ 55 legislators from the 100th General Assembly either resigned, retired, lost re-election, or started a new position.
- ▶ Largest freshman class in recent history.
- ▶ Two most recent resignations: Sen. John Mulroe (D-Chicago) and Rep. Mike McAuliffe (R-Chicago).

OVERVIEW: BIPARTISANSHIP SLOWLY RETURNS

- ▶ Gov. Pritzker welcomed bipartisan discussions and solutions for big issues.
- ▶ 2019 session reminded observers that Democrats are firmly in control.

OVERVIEW: HISTORIC LEGISLATIVE SESSION

Gov. Pritzker achieved many major legislative goals in his first year in office.

- ▶ 2019 drastically opposite from prior 6 sessions.
- ▶ Many initiatives passed with bi-partisan support.
- ▶ Major legislation passed:
 - FY20 budget
 - Capital construction program
 - Min. wage increase
 - Recreational cannabis legalization
 - Gaming expansion (including sports betting)
 - Reproductive health rights
 - Significant tax changes including a constitutional amendment

OVERVIEW: MAJOR BILLS ADVANCED

FY20 Budget – LGDF Held Harmless Again

- ▶ **SB 262 (J.Cullerton/Harris):** \$40.6 billion operating budget passed both chambers (83-35, 40-19). Some agencies/programs spending levels increased by up to 20%.
 - \$1.2 billion borrowed for backlog of unpaid bills.
 - K-12 education increased by \$375 million.
 - Early childhood education increased by \$50 million.
 - 3-9% increases for community colleges & universities.
 - 9% increase for Dept. on Aging.
 - 10% increase for Dept. of Children & Family Services.
 - 10% increase for safety net hospitals and immunization, vaccinations, lead screening, breast cancer screening programs.
 - 7.4% increase for Dept. of Corrections.
 - 20% increase for Dept. of Transportation.
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OVERVIEW: MAJOR BILLS ADVANCED

FY20 Budget – LGDF Held Harmless Again (cont.)

- ▶ **SB 689 (Hutchinson/Harris):** contained revenue portion for operating budget.
 - Estimated \$175 million: tax “amnesty” period between Oct. 1 – Nov. 15, taxpayers with outstanding liability can pay late taxes without incurring penalties and interest.
 - Estimated \$543 million: assessment on Managed Care Organizations.
 - Estimated \$20 million annually: new online marketplace tax system.
 - Estimated \$94 million annually: decoupled from federal law regarding FDII income.
- ▶ **SB 1814 (Stearns/Harris):** Budget Implementation Bill (“BIMP”).
 - Health care reimbursement rates.
 - Fund sweeps.
 - Transfer authority among line items.
 - Static income tax distribution rates to local governments.
 - Aviation fuel programs.

OVERVIEW: MAJOR BILLS ADVANCED

“Rebuild Illinois” Capital Construction Program

- ▶ HB 62 (Harris/J. Cullerton): \$45 billion capital construction legislation.

○ Roads & bridges:	\$32 billion
○ “Pay go” capital projects:	\$4.5 billion
○ Deferred maintenance of state facilities:	\$4.3 billion
○ Environmental & conservation projects:	\$1.2 billion
○ Rural broadband:	\$420
○ Higher education:	\$2.8 billion
○ Local community & economic development:	\$1.7 billion
○ Rail projects:	\$400 million

- ▶ M&F’s Initial Review: more than \$108 million in projects to the Metro West community, not including unidentified “lump sum” categories or “discretionary” funds allotted to legislators.

OVERVIEW: MAJOR BILLS ADVANCED

“Rebuild Illinois” Capital Construction Program (cont.)

► **SB 1939 (Sandoval/Hoffman):** revenue for horizontal construction projects – roads, bridges, and transit. It includes:

- 19 cent/gallon Motor Fuel Tax increase (begins July 1 with an annual index).
- 5.5 cent/gallon increase on diesel fuel.
- Allowance for Cook County municipalities to charge additional 3 cent/gallon Motor Fuel Tax if certain MBE/WBE criteria met.
- Increases in vehicle registration fees for division one, division two, and electric vehicles.
- Repeal of the commercial distribution fee (July 1, 2020).
- Increased fees on vehicle titles.
- Transfer of the state’s sales tax on fuel into the Road Fund beginning in 2022.

OVERVIEW: MAJOR BILLS ADVANCED

“Rebuild Illinois” Capital Construction Program (cont.)

- ▶ **SB 690 (Link/Rita):** contains revenue components for vertical construction projects – like construction at schools & universities. It includes:
 - Increased tax on parking lots.
 - Sales tax parity for online sellers.
 - Sports betting authorization.
 - Restructured video gaming taxes.
 - Substantial gaming expansion.
 - \$1/pack cigarette tax & e-cigarette/vaping tax.
 - Cap on sales tax exemption for traded in first division vehicles.
- ▶ **HB 142 (Harris/Manar):** contains \$21 billion general obligation bond authorization language for the capital infrastructure programs. Bond revenue will be allocated as follows: Increased tax on parking lots.

○ Roads & bridges:	\$6.5 billion
○ State capital projects:	\$8 billion
○ Universities & public community colleges:	\$3 billion
○ Grade crossings, airports, rail, mass transit:	\$4.5 billion

OVERVIEW: MAJOR BILLS ADVANCED

Minimum Wage Increase

SB 1 (Lightford/Guzzardi): provides that minimum wage will gradually be increased to \$15/hr by 2025.

- January 1, 2020: \$1 increase to \$9.25/hour.
- July 1, 2020: 75 cent/hour increase to \$10/hour.
- January 1, 2021: \$1 increase to \$11/hour.
- January 1, 2022: \$1 increase to \$12/hour.
- January 1, 2023: \$1 increase to \$13/hour.
- January 1, 2024: \$1 increase to \$14/hour.
- January 1, 2025: \$1 increase to \$15/hour.

SB 1 was the first bill signed into law by Governor Pritzker, becoming PA101-0001.

OVERVIEW: MAJOR BILLS ADVANCED

Constitutional Amendment for Graduated Income Tax

SJRCA 1 (Harmon/Martwick): after receiving a supermajority of votes in the General Assembly, this constitutional amendment will be placed on the November 2020 ballot, where it must be ratified by 60% of those voting on the measure or 50% of total voters in order to be approved.

- **SB 687 (Hutchinson/Zalewski):** recommended income tax rates (4.75%-7.99% for individuals, 7.99% for corporations > \$1 million) should the amendment pass. Restores income tax distributions to 10.75%.
- **SB1932 (Manar/Carroll):** Property Tax Task Force

OVERVIEW: MAJOR BILLS ADVANCED

Adult Use Cannabis

HB 1438 (Cassidy/Stearns): makes Illinois the 9th state to legalize recreational cannabis use.

- Medical marijuana dispensaries and new retail stores will be licensed to sell.
- Existing medical marijuana cultivation facilities will be licensed initially.
- Craft growers may apply for licenses in 2020.
- Application process includes preferences for applicants from minority areas affected by the war on drugs.
- Medical cannabis patients will be allowed home grow (5 plants).
- 30 gram limit (around 1 oz.) for IL residents 21 or older; 15 gram limit for IL visitors.
- Local units of governments may ban cannabis businesses but not individual possession.
- Any person, business, or landlord may prohibit use on private property, as can colleges & universities.
- Allows for pardons of past convictions (30 gram limit) and expungements.

OVERVIEW: MAJOR BILLS ADVANCED

Adult Use Cannabis – cont.

HB 1438 (Cassidy/Stearns): makes Illinois the 11th state to legalize recreational cannabis use.

Cannabis sales tax structure:

- 10% for THC levels at 35% or less.
- 20% for cannabis-infused products/edibles.
- 25% for THC levels above 35%.
- Municipalities may add up to 3% sales tax.
- Counties may add up to 3.75% sales tax in unincorporated areas.
- Cook County may add up to 3% sales tax.

SB 2023 (Fine/Morgan): makes the medical cannabis program separate and permanent; adds additional medical conditions for patient eligibility.

OVERVIEW: MAJOR BILLS ADVANCED

Gaming Expansion/Sports Betting

SB 690 (Link/Rita): continues revenue components for vertical construction projects.

Gaming Expansion

- 6 new casinos – Chicago, Rockford, Danville, Williamson County, south suburbs of Cook County, Lake County.
- Slot machines at O'Hare and Midway.
- Slot machines at all horse racing tracks.
- New horse racing tracks in south suburbs
- Allows sports betting in Illinois.

OVERVIEW: MAJOR BILLS ADVANCED

State/Local Sales Tax on Online Purchases

SB 689 & SB 690 (Link/Rita): requires out-of-state retailers to collect and remit state & local retailer occupation sales taxes on online purchases delivered into Illinois through marketplace facilitators.

- Marketplace facilitators like Amazon will be required to collect use tax from remote sellers (effective January 1, 2020).
- Marketplaces will be required to collect state and local sales taxes from remote retailers who meet certain sales thresholds (effective July 1, 2020).
- Sales tax collection will not change for brick and mortar Illinois retailers.
- Increased compliance of state sales tax collection will lead to increased revenues for municipal governments.
- Locally imposed sales taxes will be collected on marketplace & remote retail sales.

METRO WEST 2019 LEGISLATIVE DRIVE DOWN

Another unparalleled success, 40 Metro West members met with legislative leaders and staff to address issues critical to the communities they represent.

- ▶ Legislative & Executive meetings: Senate President Cullerton, Senate Minority Leader Brady, House Majority Leader Harris, and senior legislative staff from Governor Pritzker's office.
- ▶ Agency meetings: Dept. of Public Health, Environmental Protection Agency, Dept. of Natural Resources, and Dept. of Transportation.
- ▶ **Primary issues:** protecting local revenues & economic development tools; municipal support for capital funding & projects, consolidation of local pension funds, lead pipe replacement, and opposition to measures that reduce local control .

ADDITIONAL MUNICIPAL ISSUES IN 2019

Over 6,000 bills, 950 resolutions, 200 appointments, and 500 amendments were filed during the 2019 spring legislative session. Of significant interest to Metro West are:

Local Government Pension Consolidation Measures

- IML introduced a 7-bill package. While none of them were advanced, IML continues to work to obtain a COGFA study on financial impacts of each proposal. Gov. Pritzker favors consolidation of police & fire pension funds to reduce property tax burdens.

ADDITIONAL MUNICIPAL ISSUES IN 2019

Lead Pipe Replacement Initiative

- SB 1532 & HB 3035: Lead pipe replacement legislation to force water companies & municipalities to ultimately replace all lead pipes.
- Metro West – along with Elgin & Aurora - was directly involved in negotiations, which will likely continue during fall veto session. An appropriate replacement schedule, the high cost of the program, and access to pipes on private property are main hurdles.

ADDITIONAL MUNICIPAL ISSUES IN 2019

Municipal Consolidation

- HB 348 (McSweeney/Link): allows for dissolution & consolidation of townships in McHenry County (all powers/duties absorbed by the county). HB 348 awaits final action by Gov. Pritzker.

Protecting Local Control

- HB 137 (L. Hernandez/Castro): changes corrosion control requirements for painting projects by requiring IEPA to develop rules for contractor selection, union labor utilization, and inspections. HB 137 awaits final action by Gov. Pritzker.

ADDITIONAL MUNICIPAL ISSUES IN 2019

Protecting Local Control (cont.)

- HB 2426 (Skillicorn): imposes a 2-year TIF moratorium. It was not advanced out of House committee.
- SB 37 (Bush/Walsh): labels municipalities that employ part-time firefighters (who are full-time firefighters in a different municipality with a pension fund) as “secondary employers” and requires them to pay pension costs to primary employer’s fund. “Secondary employer” municipalities must report any injury within 96 hours to the primary employer municipality. SB 37 awaits final action by Gov. Pritzker.

ON THE HORIZON POTENTIAL UPCOMING ISSUES

Pension Reforms

- State pension reform unlikely.
- Possible movement on fire & police pension consolidation.

Proposals to Reshape Illinois Energy Procurement

- Enhance renewable incentives/subsidies; transition to 100% renewable energy by 2050
- Renewal of ComEd/Ameren formula rates for grid infrastructure improvements
- Enact new state energy procurement for “capacity” rates (no longer subject to regional operator PJM)

ON THE HORIZON POTENTIAL UPCOMING ISSUES

Legislative Redistricting

- Census 2020

Upcoming Session Preview (2019 Veto/2020 Spring)

- Controversial issues likely avoided as 2020 election season begins.
- Trailer bills to implement major 2019 issues.
- In district construction projects.
- Low-key “maintenance” budget to avoid overtime.

ON THE HORIZON POTENTIAL UPCOMING ISSUES

101st GA Legislative Schedule

- 2019 veto session: October 28-30 & November 12-14.
- No “lame duck” session anticipated.
- 2020 spring session: late January/early February 2020 start.

DISCUSSION

THANK YOU

