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## **Illinois' Financially Distressed Municipal Laws Need 'Teeth' Before Next Downturn, Expert Says.**

Some Illinois municipalities, mired in debt with declining populations, could lose their ability to provide core services and pay debts amid a national economic downturn a situation made worse because the state's laws lack the instruments to intervene and stave off insolvency, according to a professor and municipal finance expert.

Illinois has two different laws meant to provide help for units of government that have reached budgetary crisis levels. The Local Government Financial Planning and Supervision Act, applicable to municipalities of fewer than 25,000 people, and the Financially Distressed City Law for cities with more than 25,000 people.

Both of the laws are elective, meaning the state cannot impose them on municipalities.

Michael Belsky, executive director at the Center for Municipal Finance at the Harris School at the University of Chicago, said state lawmakers need to give these laws "teeth" before the next economic downturn.

"Their tax bases have been ravaged and they have high levels of poverty. It's troubling," he said. "In other states, they have these fiscal emergency laws. We have this stewardship, but it doesn't have any teeth. I really think that's needed for these poorer communities."

East St. Louis is the only city to have used one of Illinois' financial stewardship laws, doing so shortly after the law was enacted in 1990. East St. Louis later fought back against the advisors, even suing them to stop some of the financial constraints they were attempting to put on city officials. The city was able to shed state oversight 23 years later when it was able to pay off the money it borrowed from the state.

Belsky said states like Michigan have financial intervention laws that Illinois should emulate. Michigan's laws allow the state to impose the edicts of an appointed commission upon the city found to be approaching insolvency as demonstrated in Detroit shortly before it declared bankruptcy.

Illinois has no law allowing municipalities to file Chapter 9 bankruptcy. While some municipalities have filed, they were only allowed to do so for lack of legal challenge.

The Illinois Municipal League, which represents the interests of the state's town and city governments, said the assistance provided by the acts aren't adequate compared to their current struggles.

"We're not looking for more "teeth" necessarily, but making it more applicable to what cities are needing and actually beneficial to their residents," Illinois Municipal League Executive Director Brad Cole said. He added that the league plans to work on legislation that would give better state assistance for municipalities that enlist the state's help via the Financially Distressed Cities Act and allow smaller units of government to qualify for the same assistance.

The lack of Chapter 9 accessibility leaves municipalities that don't reach out to the state for assistance to plod along in a form of walking insolvency, paying bills as revenue arrives and surviving largely on accounting gimmicks and state assistance, something referred to as a "zombie municipality" by Truth in Accounting.

**By Cole Lauterbach | The Center Square**

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