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Illinois Governor Proposes Sweeping Pension Legislation.

CHICAGO — Illinois Governor Bruce Rauner on Wednesday unveiled pension legislation that calls for sweeping changes, including the ability to file for municipal bankruptcy, to save billions of dollars for the state and local governments.

Illinois and its biggest city Chicago are sinking under huge public pension obligations that are draining money away from core government services. The problem was exacerbated in May when the Illinois Supreme Court ruled that public sector workers have iron-clad protection in the state constitution preventing their pension benefits from being reduced.

Rauner, a Republican, said the bill, crafted with input from Chicago Mayor Rahm Emanuel and Democratic Senate President John Cullerton, would ease contributions to local police and firefighter pensions for Chicago and other cities. The measure also includes Cullerton's proposal to give state and local workers choices between cost-of-living increases in retirement and having future wage hikes count toward pensions.

The bill would also give Illinois' local governments a route to Chapter 9 municipal bankruptcy following an evaluation by a third party or the declaration of a fiscal emergency. Rauner has suggested both Chicago and its public school district could be candidates for bankruptcy due to their huge pension funding problems.

A spokeswoman for Emanuel said the mayor had not yet reviewed the proposal.

"The governor's recognition of the Cullerton model is encouraging, but we will have to review the details of the governor's new proposal," said Rikeesha Phelon, Cullerton's spokeswoman.

Chicago Teachers Union Vice President Jesse Sharkey called the bill an "unconstitutional mishmash of proposals which diminish and impair pensions."

A coalition of labor unions that successfully challenged a 2013 reform law for state retirement systems said the governor's proposal "completely disregards" the state Supreme Court's recent ruling.

Rauner said the pension bill will not be tied to a new state budget for the fiscal year that began July 1. The Democrat-controlled House may vote Thursday on a one-month emergency budget passed by the Senate last week that Rauner said he will not sign. Last month, Rauner vetoed a \$36 billion budget full-year budget passed by Democrats, saying it had a \$4 billion deficit.

The governor said the legislature must adopt his turnaround reform agenda before he will entertain new revenue for the budget. He said he will present bills for legislative term limits, redistricting changes, a local property tax freeze, workers' compensation and liability lawsuits. And he singled out powerful Democratic House Speaker Michael Madigan, for obstructing his reforms.

"Speaker Madigan needs to make a decision – support reform or support a tax hike," Rauner said, noting that Madigan has enough Democratic members in the House to pass a tax increase.

Madigan's spokesman Steve Brown said the House has already taken up and in some cases rejected some of Rauner's reforms.

"It's really a lot of name calling by the governor," Brown said.

Rauner last month launched a state-wide television campaign mainly targeting Madigan for Illinois' fiscal woes.

By REUTERS

JULY 8, 2015, 3:58 P.M. E.D.T.

(Reporting by Karen Pierog; Editing by Richard Chang and Lisa Shumaker)

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