



THE CIVIC FEDERATION

2006 Legislative Priorities

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago-area corporations, professional service firms and institutions.

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1. PUBLIC EMPLOYEE PENSIONS

The Civic Federation again calls on the state legislature to be mindful of the pension benefits granted to public employees at both the State and local level. The liabilities of State and local governments could dramatically increase as a result of increasing the benefits provided by these plans or decreasing the retirement ages of employees. These increasing liabilities would demand greater employer contributions over time. During this time of declining government revenue, increasing the amount of revenue that any government must dedicate to pension funds ultimately threatens the funds available for other important programs and services.

The Civic Federation calls on the General Assembly to block any legislation seeking a reduction in required pension contributions. The Civic Federation opposes legislation passed in 2005 to reduce the State's contribution to its pension systems by \$1.2 billion in FY2006 and \$1.1 billion in FY2007. Likewise, the Civic Federation will oppose any attempt by the Chicago Public Schools to reduce its pension contributions by seeking legislation to lower its 90% funding requirement.

This year, the Federation also calls on the General Assembly to enact serious reforms in the composition of the Boards of Trustees of public pension funds, as outlined in our *Recommendations to Reform Public Pension Boards of Trustees in Illinois*. We urge the General Assembly to address flaws in the current governance structure of pension boards in Illinois by taking action to:

- Balance employee and management representation on pension boards;
- Develop a tripartite structure that includes independent citizen representation on pension boards, and
- Include financial experts on pension boards, and require financial training for non-experts.

2. SUBURBAN COOK COUNTY TB SANITARIUM DISTRICT

The Civic Federation calls on the General Assembly to eliminate the Suburban Cook County Tuberculosis Sanitarium District and transfer both the assets of the District and the responsibility for tuberculosis treatment and prevention to the Cook County Department of Public Health. At the time the District was created, treatment options for tuberculosis were limited and Cook County was not in a position to fund the necessary services. Both modern medicine and the 1970 Illinois State Constitution have eliminated these impediments to the County's ability to integrate tuberculosis care and prevention into the Department of Public Health. Additionally, the financial management of the District in recent years raises questions about how the District's stewardship of public funds. We believe both taxpayers and tuberculosis patients would be better served by integrating the District's services into the functions of the Cook County public health services, which already provide a full range of health care services.

* Executive Committee

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3. PROPERTY TAX EXEMPTIONS AND ASSESSMENT REFORM

The Civic Federation urges the General Assembly to consider any proposals to increase transparency of the property assessment process in Cook County and to smooth out annual increases in tax liability. In 2004, The Civic Federation offered qualified support for the Neighborhood Preservation Homeowners Exemption (Public Act 93-0715). This support was based on our careful weighing of the costs and benefits of the proposal, and was contingent on the Cook County Assessor's Office taking full advantage of the opportunity to bring greater transparency and clarity to the property tax assessment process. Our analysis of the effects of the 7% cap on the Chicago assessment triad for tax year 2003 found that it reduced property taxes by 11.5% for qualified homeowners, and increased property taxes by 4.5% for all other property owners in the City. The Civic Federation continues to analyze the effects of the cap on other parts of Cook County, and is monitoring legislation to renew the cap beyond its tax year 2005 sunset date.

4. REGIONAL TRANSPORTATION AUTHORITY ACT

The Civic Federation continues to call on the General Assembly to address the long-term structural funding problems of the three northeastern Illinois transit service agencies by reviewing and revising the RTA Act's funding formula set in 1983. All government policies should be re-evaluated at reasonable intervals to ascertain whether they still fulfill their original purpose, and whether there are better or more efficient ways to achieve that purpose. A review of the RTA funding formula should be based on an analysis of the efficiency and effectiveness of transit services currently being provided, as well as the future transit needs of the region. It should not be used as a reason for cannibalizing certain transit agencies for the benefit of others. Any changes to the RTA Act should include a sunset clause because no formula should be frozen in time; legislative assumptions and outcomes should be revisited at timely intervals.

5. STATE TAX RESTRUCTURING

In 2004 and 2005, The Civic Federation expressed concern over the State of Illinois' attempts to dramatically restructure several important corporate income and sales tax treatments without adequate discussion or analysis of potential impacts. Most of the changes were deferred, but some may be re-introduced in conjunction with the FY2007 State Budget process. The Civic Federation will continue to monitor any state business income and sales tax policy changes in the current session of the General Assembly.

6. PROPERTY TAX ASSESSMENT APPEALS

The Civic Federation continues to support changes to the process of property tax assessment appeals. The process must balance the financial stability of Cook County taxing agencies with the rights of taxpayers to seek redress from inaccurate property tax assessments. To achieve that necessary balance, and to improve the functioning of the Property Tax Appeal Board (PTAB) as an administrative review agency, changes must be made to the PTAB to accommodate the County's unique classification system. We recommend removing the level of assessment issue from consideration in PTAB cases. This approach would preserve the right to appeal to the PTAB for all property classes, but would limit commercial and industrial appeals to findings of full market value. Additional modifications to the procedures at the PTAB are also needed to improve the functioning of the tribunal. Additionally, taxing agencies should be authorized to file a supplemental levy to recoup funds withheld from their current year property tax extensions to pay for previous year's refund orders. Under current practice, taxing agencies are forced to forego legally extended property tax revenue even though they are not responsible for incorrect assessment.