



**Community Bankers Association of Illinois**  
*Department of Governmental Relations*

***NEWS FROM THE FRONT – 2/25/2019***

**CBAI 2019 Initiatives Introduced**

In total, 2,153 Senate Bills and 3,713 House Bills were filed for consideration during the 2019 spring legislative session, including several CBAI legislative initiatives that are listed below.

Income Tax Credit

**[HB 3234 \(Evans\)](#)** and **[SB 1803 \(Bennett\)](#)** amend the Illinois Income Tax Act. They create a credit for financial institutions with less than \$50 billion in assets in an amount equal to the aggregate amount of all fees, penalties, and any other income derived during the taxable year from each commercial loan transaction that is (i) less than \$5 million (ii) originated by the financial institution, (iii) made to a person residing or located in this State, and (iv) made primarily for a business or agricultural project in this State. This is intended to provide a measure of tax parity with Farm Credit and credit unions who are already exempt from state income taxes.

RUUPA

**[HB 2677 \(Zalewski\)](#)** amends the Revised Uniform Unclaimed Property Act. This is a redraft of last year's compromised language between our financial industry coalition and the Treasurer's office. It passed the Senate unanimously, but the House adjourned before calling the bill. This bill seeks to address several concerns the financial institutions group had with the passage of the unclaimed property legislation rewrite.

- Clarifying provisions relating to time deposits and when the presumptive period of abandonment begins to run for this type of property; also clarifies when reporting and delivery of this property must occur.
- Reverting back to a presumptive period of abandonment of 5 years for time deposits.
- Reinstating visitation standards for federally chartered financial institution examinations of unclaimed property under the Act.
- Modernizes the language of the "Consolidated Statement Rule" to ensure applicability to multiple accounts held by the same owner at a single financial organization.
- Providing technical edits to clarify the confidentiality of records as they relate to financial institutions.

Electronic Lien and Title

**[HB 2856 \(D'Amico\)](#)** is currently a shell bill (to be amended when needed). CBAI and the financial institutions coalition are working on language that will require the Secretary of State to implement electronic lien and title by 2021.

### Mortgage Act

[SB 1657 \(Murphy\)](#) and [HB 2699 \(Walker\)](#) amend the Mortgage Act to allow a consumer to appoint an authorized requester of a mortgage release on behalf of the consumer. Also adopts a uniform measure of 30 days in lieu of the current term “month.”

### Federal Cannabis Safe Harbour

[HJR 32 \(Cassidy\)](#) urges Congress to amend federal law to provide immunity from federal prosecution and regulatory protections for financial institutions legally providing services to cannabis-related businesses, licensees, and consumers pursuant to applicable state law.

### **Governor Signs \$15 Minimum Wage Bill**

Governor Pritzker signed his first legislative priority [SB 1](#) into law setting Illinois on a 6-year ramp ultimately increasing the minimum wage from \$8.25 to \$15 per hour.

***Please note the corrected implementation schedule below.*** We incorrectly reported the first two increases in the previous version of News From the Front. We apologize for the mistake and any confusion it may have caused. Below is the correct minimum wage increase schedule.

Jan 1, 2020	\$1 increase to \$9.25
July 1, 2020	\$0.75 increase to \$10
Jan 1, 2021	\$1 increase to \$11
Jan 1, 2022	\$1 increase to \$12
Jan 1, 2023	\$1 increase to \$13
Jan 1, 2024	\$1 increase to \$14
Jan 1, 2025	\$1 increase to \$15

### **Governor Proposes 2020 Budget**

Democratic Governor J.B. Pritzker delivered his first budget address to a joint session of the Illinois General Assembly. Pritzker’s budget proposal for Fiscal Year 2020 spends \$77 billion across all funding sources. In his budget address, the governor lays out his proposal as the first step in a multi-year plan to move Illinois forward and to bring back fiscal stability.

Pritzker proposed to address Illinois’ structural deficit which is currently \$3.2 billion. In order to address that deficit, Pritzker called on legislators to immediately change the approach to the state’s pension contributions and increase revenue. Going forward, Pritzker called on lawmakers to implement a progressive income tax, a process that is likely to take at least 18 months to 2 years and requires voters to approve a change in the state’s constitution. The FY 2020 budget, according to Pritzker, is a bridge to the future when additional revenue from the progressive income tax would be available.

Governor Pritzker’s FY20 budget proposes to spend \$38.75 billion in general funds and relies on \$38.9 billion in revenue. The Governor’s FY 20 budget also includes a \$3.7 billion new Capital program (\$17.7 Billion new and re-appropriated).

**New Revenue:** Pritzker taps several new funding sources to fund state services now, pending passage of a progressive income tax. The FY 20 budget includes \$1.1 billion in new revenue sources, including: taxing Medicaid Managed Care Organizations (\$390 million); taxing e-cigarettes (\$10 million); taxing cigarettes (\$55 million); decoupling from the Federal Tax Credit for Repatriated Corporate Income (\$94 million); legalizing and taxing sports betting (\$212 million); legalizing and taxing recreational cannabis (\$170 million); instituting a plastic bag tax (\$20 million); phasing out the private school tax credit over three years (\$6 million); creating a progressive tax on video gaming (\$89 million); and capping the “retailers discount” (\$75 million). Pritzker warned in the absence of these new revenues, spending would need to be reduced by an equal amount.

**Additional detail:** As proposed, Pritzker estimates The Capital Projects Fund would receive an additional \$89 million/year and local governments approximately \$18 million under this alternative video gaming tax structure. With respect to the “retailer’s discount” the Governor is proposing a \$1,000-per-month cap on the Retailers Discount, which allows retailers to keep a portion of sales tax collections to compensate for the administrative burden of collecting the tax on behalf of the Illinois Department of Revenue. He projects the “cap” would increase revenue deposits by \$75 million in the General Revenue Fund and \$58 million for local governments.

Pritzker talked significantly about how he plans to spend funds generated from the yet to be enacted progressive income tax including addressing the structural deficit, funding state services, stabilizing pensions and allocating \$100 million annually to the Budget Stabilization Fund.

**Highlights from the Governor’s budget proposal include:**

**Bill Backlog:** Illinois bill backlog stands at \$8.1 billion. Pritzker’s FY 20 budget proposes to issue \$1.5 billion in general obligation bonds in the summer of 2019 to pay off most of the interest-accruing bill backlog in the state employee health insurance program, the Medicaid program, and other overdue payments to vendors. The Governor is proposing the reduction of the interest rate under the Prompt Payment Act to a market-based rate, perhaps tied to five-year U.S. Treasury rates. Additionally, the fiscal year 2020 budget proposal dedicates another \$155 million in surplus towards backlog paydown.

**Pensions:** Pritzker’s plan to stabilize Illinois pension system includes:

1. **Progressive Income Tax:** \$200 million generated from new revenue from the enactment of a progressive income tax will be directly paid to the pension systems on top of the amounts certified by the systems annually.
2. **COLA Buyout:** The COLA (Cost of Living Adjustments) buyout program, authorized by the General Assembly in 2018, will be made permanent. Governor Pritzker expects to decrease FY 2020 State contributions by approximately \$125 million.
3. **Pension Bonds:** \$2 billion in pension bonds will be injected to the pension systems

4. **Pension Holiday:** Governor Pritzker would extend the pension payment ramp by 7 years to FY 2052 from FY 2045, while keeping the target funded ratio the same at 90%. Under this re-amortization schedule, FY 2020 general funds contributions are expected to be reduced by \$878 million.

5. **Taskforces:** Two pension taskforces have been created. The first taskforce is to find assets in State real estate and infrastructure to put into the State-funded pension systems for improvement to the systems' financial health. The second one is to make recommendations on the consolidation of local police/fire pension funds.

**Education:** Governor Pritzker proposes funding the Early Childhood Block Grant at \$594 million, an increase of \$100 million from last fiscal year. Early intervention is increased by \$7 million. Funding for the Evidenced Based Model for elementary and secondary education is increased by \$375 million. The FY 20 budget includes a 5% increase for public universities (\$52.5 million) and community colleges (\$13.9 million) as well as a \$50 million increase to the Monetary Award Program. Also included is \$35 million for the second-year cost of the AIM HIGH merit scholarship program for high achieving students.

**Human Services:** The FY 20 budget increases the income threshold for the Child Care Assistance Program to 200 % of the federal poverty level (\$30 million increase) which will serve approximately 10,000 more children. Once in the program, families will be allowed to continue with incomes up to 215% FPL.

Funding is included to address minimum wage changes for human service programs including addiction treatment, child care, developmental disabilities, home services, adult day care, homemaker services and others.

Funding is also included for the Chicago Veteran's Home (\$20.6 million), 126 additional direct care staff at DCFS (\$9.8 million), and new lead screening (\$6 million).

In addition to proposing a new managed care organization assessment, the FY 20 proposed budget provides funding for Medical program staff to administer, coordinate and implement the 1115 Behavioral Health Waiver (\$3.2 million). \$2.5 million is also being allocated for 119 additional staff to improve Medicaid cost avoidance and recoveries.

**Public Safety:** The FY 20 budget funds two new State Police cadet classes (\$7.6 million) establishes funding for the Firearm Dealer License Certification Program (\$5 million) and funds a new Department of Natural Resources Conservation Police Class of 20 officers.

**Capital Budget:** The Capital Budget includes:

- \$1.8 billion for a FY 2020 pay as you go Road Program
- \$20 million for state wide broadband
- \$750 million in Lump sums for Capitol Development Board deferred maintenance- (Statewide facilities - \$600 million/Higher education - \$150 million)
- \$ 662 million non-bonded/\$25 million bonded EPA loans and grants for municipal water and environmental projects
- Continues Department of Commerce and Economic Opportunity (DCEO) capital grant programs

Official budget documents are [here](#). The Governor's speech is [here](#).

### **Pritzker Names New Director of Illinois Department of Financial and Professional Regulation**

Deborah Hagan will serve as Secretary of Illinois Department of Financial and Professional Regulation (IDFPR). For over 36 years, Hagan has been an advocate for consumer protection in the Office of the Illinois Attorney General.

Mario Treto, Jr. will serve as Director of Real Estate at IDFPR. Treto currently serves as Deputy City Attorney for the City of Evanston where he provides legal counsel to its elected officials, departments, and staff with compliance, transactional, and corporate matters.

Francisco Menchaca will continue to serve as Director of Financial Institutions at IDFPR. Menchaca has held the post since his appointment by Gov. Quinn in July 2013 and previously served the department as credit union supervisor.

Jessica Baer will continue to serve as Director of Professional Regulation at IDFPR. Baer has held the post since her appointment by Gov. Rauner in September 2016 and previously served the department as general counsel.

### **Notes from Springfield**

Representative Mary Flowers will remain in the General Assembly. Governor Pritzker intended to nominate her for a spot on the Illinois Human Rights Commission but had to change plans because she lacks a law degree required for the position. Flowers is most notable to community bankers as the long-time champion of a state-owned bank.

Representative Linda Chapa LaVia has resigned her seat to serve as Director of the Illinois Department of Veterans' Affairs (IDVA). Representative Chapa LaVia was elected to the Illinois House of Representatives in 2002, becoming the first Latino to be elected to the General Assembly from outside of Cook County. When she was elected, she resigned her commission in the Illinois Army National Guard.

Representative Marcus Evans filed [House Bill 2864](#), establishing a pilot program for a 2.1-cent tax on every mile a vehicle is driven on state roads. Following considerable negative feedback, Representative Evans filed a motion to table the legislation.

Republican State Senator Jim Oberweis filed paperwork to challenge first-term Democratic US Representative Lauren Underwood in 2020. Oberweis has to give up up his state Senate seat which will also be on the ballot in November 2020.

### **On the Federal Side**

Meeting with the Director of the CFPB; A delegation of CBAI community bankers from around the state met with the new CFPB Director Kathy Kraninger in Chicago on February 5, 2019. The meeting was the latest of CBAI member meetings with leaders of the Bureau, having met

previously with Directors Elizabeth Warren and Richard Cordray. The session was an important listening opportunity for the new director, as she was very interested in learning about any and all issues relating to community banking and the CFPB. [Click here](#) to read the article.

[Deposit Insurance Approvals for De Novo Community Banks](#); In a February 4, 2019, comment letter, the Community Bankers Association of Illinois (CBAI) urged the Federal Deposit Insurance Corporation (FDIC) to approve many more applications for deposit insurance for community banks. CBAI highlighted its years-long support for de novos and recounted its past frustrations and disappointment that since the financial crisis, so few applications for deposit insurance have been approved by the FDIC. Newly chartered community banks are needed to maintain a growing, evolving and vibrant banking profession. [Click here](#) to read CBAI's comment letter.

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For more information, or if you have any questions or comments, please contact [Jerry Peck](#) or [Megan Peck](#) at 800/736-2224.