50 px

July 21, 2017

# FY18 budget impacts on state finances, regional transportation, and local governments

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Sections



The Illinois General Assembly enacted a series of budget bills on July 6, 2017, overriding the Governor's veto and ending the state's two-year budget impasse. Among changes to income tax deductions and credits, Public Act 100-0022 permanently increases the personal income tax rate from 3.75 to 4.95 percent and the corporate income tax rate from 5.25 to 7 percent, effective July 1, 2017. On the expenditure side, the Fiscal Year (FY) 2018 appropriations in Public Act 100-0021 reduce general funds (General Revenue Fund, Common School Fund, and Education Assistance Fund) spending, including a 5 percent across-the-board cut to most state agencies. Public Act 100-0023, which enacts other policy changes to implement the budget, provides for special fund transfers and pension system reforms that are assumed to reduce general funds expenditures. The passage of a FY18 budget has thus far staved off a further downgrade of some of the state's bonds to "junk" status. Such an action by credit rating agencies would increase public borrowing costs and further constrain state finances. But, the state — and many local jurisdictions — still incur high interest rates to issue bonds, increasing the cost of capital projects and services at all levels.

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h3: 16pt @ 1.5em

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Resource constraints at the state level are having an effect on local governments and the communities they serve. State government provides funding to support transportation, housing, environmental, and community development programs, among other services that are vital to supporting quality of life in the region. To mitigate future impacts of declining state resources, local governments may need to consider such options as employing innovative revenue sources and collaborating with other local governments to share services or consolidate.

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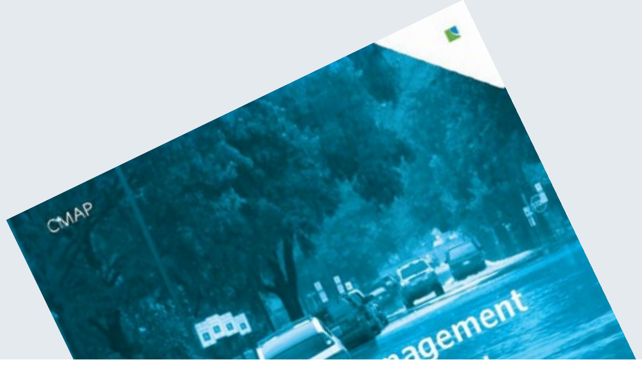
# Stormwater Management Opportunity Planning



Document

**Stormwater Management Opportunity Planning**

Download PDF [4.0 MB]

Localized stormwater flooding is a common concern among the region's municipalities, yet many lack the resources to identify opportunities and strategies to address flooding issues. For example, a village may be aware of an area that floods regularly, but they may not know the cause or the drainage area that flows to the flooded area. One strategy for addressing this is to better integrate stormwater management into decisions about land use and development. The location and form of our development patterns play a large role in the amount of stormwater runoff generated and can be a key part of the solution.

To better position communities to improve stormwater management, CMAP has developed an approach to help identify problem areas and causes and begin to articulate discrete, on-the-ground opportunities for improvements that can reduce flooding. The purpose of this approach is to present a cost-efficient planning tool to assess flooding issues, inform stakeholders and decision makers about potential flood mitigation options, particularly green infrastructure (GI) and land use solutions, and to incorporate those solutions into land use and transportation decisions. CMAP is using this approach in local planning projects though the Local Technical Assistance (LTA) Program.

With support from the MacArthur Foundation, CMAP created a step-by-step guide to the spatial analysis and a stormwater planning data inventory to assist partners in planning efforts. The guide, Stormwater Management Opportunity Planning: Spatial Analysis Methodology, details the four main tasks of the approach, including data collection and development of a GIS database, data analysis to identify flooding problems and opportunities in a community, prioritization of implementation, and preparation of a draft plan.

Given the severity of urban flooding in Northeastern Illinois, and the large, watershed-scale challenge of addressing overbank flooding, this methodology concentrates more on localized drainage problems and less on riverine flooding. This approach is not meant to identify specific engineered structural (grey infrastructure) solutions to the identified problems, which require advanced engineering analysis by the municipality, county stormwater management agencies, or other entities.

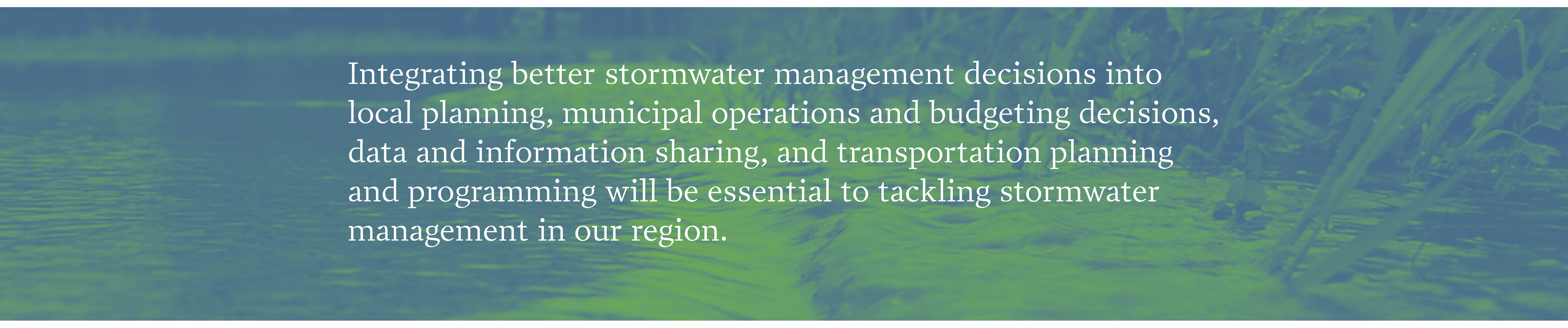
For additional information on the publication, contact Kate Evasic (kevasic@cmap.illinois.gov or 312-386-8782).

# Stormwater Planning Data Inventory

Local and regional analysis of flooding issues relies upon regularly-updated geospatial information about a variety of indicators — including land cover/use characteristics, topography, and soils. The Stormwater Planning Data Inventory, a list of useful datasets, is shown below. Some of these datasets are used in the Stormwater Management Opportunity Planning: Spatial Analysis Methodology. Each record includes the most recently available vintage and provides a link to download or request the data.

| Source | Data Download / Request | Age | Description |
|---|---|---|---|
| EPA | National Hydrography Dataset "Plus" | 2012 | Hydrologic data framework which incorporates the National Hydrography Dataset, the National Elevation Dataset, and the National Watershed Boundary Dataset. Includes HUC12 boundaries. |
| Counties | Streams and Water Bodies<br>Download/Request: Cook, DuPage, Kane, Kendall, Lake, McHenry, Will | Various | Hydrographic lines and polygons created and/or hosted by County GIS departments. |
| ISGS; Counties | Light Detection and Ranging (LiDAR) Digital Elevation Model (DEM) data | Various | High-resolution LiDAR-derived elevation grids. |
| Counties; Municipalities | Building Footprints<br>Download/Request: Chicago, DuPage, Lake, Will | Various | Overhead extent of building footprint as extracted or digitized from aerial photos. Footprints are known to exist for those areas with download/request links. For other areas, contact counties or municipalites to determine availability. |
| CMAP | ArcHydro Modeling Outputs | 2017 | Includes hydrologically-corrected DEM, flow direction, flow accumulation, drainage lines, catchments, and depressions. See data packages for additional information. |
| CMAP | Land Use Inventory | 2013 | Comprehensive parcel-based Land Use Inventory, containing 59 different use classes for over 2.5 million parcels. |

# Stormwater




## Where is CMAP involved on Stormwater?

### Stormwater Management Opportunity Planning

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### Calumet Stormwater Collective

CMAP is an active member of the Calumet Stormwater Collaborative, which was formed in 2014 to improve stormwater management through investments in and coordination of green infrastructure solutions.

### Stormwater Utilities

Storm sewers, culverts, and a host of other stormwater infrastructure components need repair, but funding for capital improvements is scarce. CMAP has outlined the legal authority and key components of a establishing a stormwater utility to respond to these challenges.

### Stormwater Planning Data Inventory

The Stormwater Planning Data Inventory includes a list of datasets that can inform local and regional analyses of flooding issues.

## Why is Stormwater a challenge to our region?

Stormwater management and flood prevention in northeastern Illinois can be particularly challenging due to the region's flat topography and broad floodplains. Agricultural and urban development has not fully considered the long-term consequences of altering the region's landscape. As a result, the existing grey and green infrastructure designed to handle runoff is currently inadequate and requires significant investment in order to reduce negative impacts of flooding on private property, local infrastructure, regional transportation, an natural resources. Future development poses new challenges due to the reduction of the landscape's ability to absorb precipitation and the continuing pressure to develop flood prone areas. In addition, studies have indicated that climate change has been leading to an increase in the severity and frequency of extreme storms and that this will be particularly true in the upper Midwest, including the Chicago region.

Stormwater crosses jurisdictional boundaries and the amount of stormwater runoff generated is heavily influenced by land use and transportation. The design of our streets and roads, which are a large contributor to stormwater runoff and are also in public ownership, can play a key role in reducing the negative impacts of future storm events. Land use and development, and the corresponding regulations, can help prevent new development and redevelopment from contributing to the problem and could potentially offer shared solutions for existing neighborhoods. Figuring out ways to better manage stormwater can also help the regional economy by reducing the stress flooding can cause on municipal budgets, the use of clean water and wastewater treatment costs, and private property damage and loss.

# Programs

CMAP operates several important programs that help implement the goals of GO TO 2040 throughout our region.

### Local Planning Programs

**Local Technical Assistance (LTA)**
CMAP has initiated 112 LTA projects with local governments, nonprofits, and intergovernmental organizations to address local issues at the intersection of transportation, land use, and housing, including the natural environment, economic growth, and community development.

**Local Ordinances and Toolkits**
CMAP provides model plans, ordinances, codes, and other tools to municipalities interested in pursuing policies that are aligned with GO TO 2040 recommendations.

### Regional Transporation Programs

**Surface Transportation**
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**Transportation Alternatives**
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**Congestion Mitigation and Air Quality Improvement**
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### Other Programs

**Training**
CMAP provides training for municipal officials and others who want to learn about tools for planning, GIS, economic development, data analysis, and more.

**Municipal Survey**
To inform agency work and track the progress of GO TO 2040 implementation, CMAP conducts a biennial survey of municipal governments.

# Resources

CMAP publishes many reports, plans, guides, and papers that cover a wide range of relevant topics.

Livability
- Climate Resilience
- Community Development
- Energy
- Housing
- Land Use
- Local Food
- Open Space
- Stormwater
- Water Supply

Mobility
- Freight
- Roads
- Strategic Investment
- Transit
- Walking & Cycling

Economy
- Industry Clusters
- Innovation
- Regional Economic Indicators
- Tax Policy
- Workforce

July 21, 2017

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This Policy Update will discuss how the new budget addresses the state's backlog of unpaid bills and pension liabilities, and impacts transportation and local governments in the CMAP region and across Illinois.

**Limited measures to address bill backlog and pension liabilities**

The income tax increase included in the FY18 budget will not produce an instant infusion of cash for the state. In fact, the Comptroller's office has indicated that it will take time to receive new revenues and pay off the state's bills. As of July 14, 2017, Illinois's tab of unpaid bills, or the general funds payable backlog, stood at $14.9 billion. This figure includes payments owed to local governments and the Regional Transportation Authority (RTA), among other agencies that provide critical services in northeastern Illinois.

Expenditure reductions also include $1.5 billion in assumed general funds savings from changes to the state's retirement systems. The Commission on Government Forecasting and Accountability reported that unfunded pension liabilities for the state's five retirement systems increased by $33 billion from FY12 to FY16, reaching $129.8 billion and a funded ratio of 37.6 percent at the end of FY16. Among others, FY18 contributions to the retirement systems will include $6.4 billion from general funds and $250 million from the Road Fund, most of which will go toward paying down unfunded liabilities.

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While most other state agencies saw reductions to their budgets in Public Act 100-0021, the appropriations package maintains funding for IDOT consistent with FY17 levels. State and federal pass-through funds are included in the budget for metropolitan planning and research purposes, supporting CMAP and the 15 other metropolitan planning organizations in Illinois. The budget further provides appropriations close to FY17 levels for Amtrak ($52.0 million), RTA free and reduced fare reimbursement ($17.6 million), and PACE Paratransit ($8.4 million). However, the budget also includes a reduction in funding for the region's transit system. Public Transportation Fund (PTF) distributions, which includes the state's statutorily required 30 percent match to the RTA sales tax and Chicago real estate transfer tax (estimated at $424.4 million), will fall by 10 percent for FY18 only.

Relatedly, funds accruing to the PTF will no longer pass through the General Revenue Fund (GRF), potentially resulting in more timely payments. In addition, the budget shifts some expenditures from GRF to the Road Fund, including the first $100 million accruing to the PTF and $131 million in debt service assistance for the RTA's Strategic Capital Improvement Program bonds.

The FY18 budget continues underinvestment in the system and does not address the state's long-term transportation investment needs. The region's federal and state transportation revenues have grown slower than construction costs due to improved vehicle fuel economy and changing driving patterns. The state needs to modernize traditional funding mechanisms, adopt new revenue sources, and broadly use performance-driven criteria for transportation investments. The FY18 budget package does not incorporate any of these critical reforms.

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Illinois disburses various state revenues to local governments based on criteria outlined in state statute. Additionally, the state collects many locally imposed sales and excise taxes on behalf of local governments. Public Act 100-0023 includes several changes that will reduce the revenue available to the local governments that rely on those sources.

Municipalities and counties in Illinois receive a share of the state's income tax revenues through the Local Government Distributive Fund (LGDF) based on their population relative to the state's total population. Municipalities and counties will continue to receive 10 percent of all income tax generated under the rates in effect before January 2011; thus, the additional revenues generated by the income tax increase will all accrue to the state. In addition, Public Act 100-0023 implements a temporary change to LGDF disbursements, reducing payments by 10 percent for revenues generated during FY18.

Under the Act, local income tax disbursements will no longer pass through the GRF, and will instead directly go to the LGDF. The change is intended to result in municipalities and counties receiving these funds during the month they are collected, rather than two months later. To the extent that the Illinois Office of the Comptroller has sufficient cash at hand, August disbursements will include revenues generated from both June and August 2017, and September disbursements will include revenues generated from both July and September 2017. In subsequent months, disbursements will return to normal.

Statewide, 6,545 local governments (such as counties, townships, municipalities, school districts, community colleges, and special districts) receive personal property replacement tax disbursements based on statutory criteria. The disbursements totaled $1.5 billion in FY17. The FY18 budget appropriates $103.5 million for community college operating costs out of these revenues, thereby reducing the remainder available for disbursement to local governments under the regular criteria.

Furthermore, starting in FY18, the state will begin charging a 2 percent service fee for collecting the RTA sales tax, home rule and non-home rule sales taxes on behalf of counties and municipalities, Metropolitan Pier and Exposition Authority sales tax, several other local taxes, as well as state sales tax disbursements to the RTA. Previously, the state had charged various administrative fees on a smaller set of taxes collected on behalf of local governments, such as the county motor fuel tax, municipal telecommunications tax, and automobile renting tax. The new fees, which the Illinois Department of Revenue estimates at $60 million per year, will be transferred to the Tax Compliance and Administrative Fund. Due to the service fee, local governments and the RTA will receive less of the sales tax revenues they generate.

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Sections

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To Top Share

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Illinois disburses various state revenues to local governments based on criteria outlined in state statute. Additionally, the state collects many locally imposed sales and excise taxes on behalf of local governments. Public Act 100-0023 includes several changes that will reduce the revenue available to the local governments that rely on those sources.

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July 21, 2017

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This Policy Update will discuss how the new budget addresses the state's backlog of unpaid bills and pension liabilities, and impacts transportation and local governments in the CMAP region and across Illinois.

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July 21, 2017

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**Mixed effects on state disbursements to local governments and local taxes**

Illinois disburses various state revenues to local governments based on criteria outlined in state statute. Additionally, the state collects many locally imposed sales and excise taxes on behalf of local governments. Public Act 100-0023 includes several changes that will reduce the revenue available to the local governments that rely on those sources.

Municipalities and counties in Illinois receive a share of the state's income tax revenues through the Local Government Distributive Fund (LGDF) based on their population relative to the state's total population. Municipalities and counties will continue to receive 10 percent of all income tax generated under the rates in effect before January 2011; thus, the additional revenues generated by the income tax increase will all accrue to the state. In addition, Public Act 100-0023 implements a temporary change to LGDF disbursements, reducing payments by 10 percent for revenues generated during FY18.

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Statewide, 6,545 local governments (such as counties, townships, municipalities, school districts, community colleges, and special districts) receive personal property replacement tax disbursements based on statutory criteria. The disbursements totaled $1.5 billion in FY17. The FY18 budget appropriates $103.5 million for community college operating costs out of these revenues, thereby reducing the remainder available for disbursement to local governments under the regular criteria.

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**Looking forward**

Although Illinois has ended its two-year budget impasse, the adopted budget plan for FY18 does not address long-term transportation investment needs nor does it provide necessary reforms to modernize or improve equity in the state tax system. GO TO 2040 recommends broadening tax bases, including expanding the income tax base to retirement income and the sales tax base to additional services. In addition, to adequately support the state's transportation infrastructure, the state will need to enact new and enhanced revenues, such as an increase in and long-term replacement of the state motor fuel tax and an implementation of additional user fees such as express toll lanes.

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This Policy Update will discuss how the new budget addresses the state's backlog of unpaid bills and pension liabilities, and impacts transportation and local governments in the CMAP region and across Illinois.

#### Limited measures to address bill backlog and pension liabilities

The income tax increase included in the FY18 budget will not produce an instant infusion of cash for the state. In fact, the Comptroller's office has indicated that it will take time to receive new revenues and pay off the state's bills. As of July 14, 2017, Illinois's tab of unpaid bills, or the general funds payable backlog, stood at $14.9 billion. This figure includes payments owed to local governments and the Regional Transportation Authority (RTA), among other agencies that provide critical services in northeastern Illinois.

Expenditure reductions also include $1.5 billion in assumed general funds savings from changes to the state's retirement systems. The Commission on Government Forecasting and Accountability reported that unfunded pension liabilities for the state's five retirement systems increased by $33 billion from FY12 to FY16, reaching $129.8 billion and a funded ratio of 37.6 percent at the end of FY16. Among others, FY18 contributions to the retirement systems will include $6.4 billion from general funds and $250 million from the Road Fund, most of which will go toward paying down unfunded liabilities.

#### Restarting construction and flat transportation appropriations

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Resource constraints at the state level are having an effect on local governments and the communities they serve. State government provides funding to support transportation, housing, environmental, and community development programs, among other services that are vital to supporting quality of life in the region. To mitigate future impacts of declining state resources, local governments may need to consider such options as employing innovative revenue sources and collaborating with other local governments to share services or consolidate.

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