



June 6, 2017

To: League Membership

From: Erich J. Bloxdorf, President and Chief Executive Officer

Re: Legislative Activities

To the casual observer, it may appear that nothing is happening in State government these days. True, there has not been, nor is there now, a comprehensive State budget. However, there was a significant amount of legislation introduced that could have a positive or negative impact on our membership.

The push from the General Assembly to pass unfavorable legislation against financial institutions predominately manifested themselves in the form of fee increases. And why? Largely because of the budget woes of the State of Illinois. The regularly scheduled session ended May 31st, the scheduled adjournment day, without any budget coming near passage. This resulted in further credit downgrades to the State.

General Overview

For the past two years, the State has operated without a comprehensive budget. Primary education has received a budget, as well as state payroll, pension payments and some human services agencies. Even with the limited budget, the state continues to spend more money than it is bringing in resulting in a significant bill backlog and a delay in paying vendors that in some cases is now greater than a year. If the General Assembly does not pass a budget for Fiscal Year 2018, the fiscal year starting on July 1, the bill backlog will grow, more social services providers will close their doors, local government will have reduced operating capital and ultimately schools may not open in August; however, it is likely that at least some form of spending bill will pass this summer, even if it is not a comprehensive budget.

The biggest outcome of the missed opportunity to pass meaningful legislation in the regular session is that all bills with an immediate effective date will now require a 3/5ths majority vote for passage. That means that in the House of Representatives, Republican votes will be needed to pass any budget. The Senate has a super majority of Democrats and is largely unaffected by the rules but will need unanimous Democrat support for any passage. The other outcome of this impasse is that the General Assembly will remain in session this summer, with much of the legislation opposed by the Illinois League of Financial Institutions having received extended deadline making it possible for passage, but again requiring a 3/5ths majority vote.

The League staff and our consultants Leinenweber, Baroni & Daffada remain ever vigilant to ensure that our member's voices are heard and their business interests are protected.

Legislative Update

Only one item of legislation opposed by the League passed to the Governor. We are currently working to achieve a veto on that item of legislation. For the remaining bills, there have been deadline extensions, and the continuing session this summer means that we will continue to engage in these, or any other items of legislation that might show movement. The following legislation was ***opposed*** by the Illinois League of Financial Institutions this year:

- HB 453 attempted to apply a financial transaction tax on any transaction involving an exchange or board of trade. The legislation failed without receiving a hearing.
- HB 454 established a state bank but the legislation was not called for a vote on the House floor after passing committee on a partisan roll call.
- HB 1274 instituted a maximum fee of \$1 on all ATM transactions. The legislation died in the House after not receiving a vote.
- HB 2351 gave priority, over financial institutions, to individual's owed unpaid wages in proceeding on a lien on an employer. The legislation passed Committee over the League's opposition, but was held on the House floor.
- HB 2458 allowed the City of Chicago to impose, by ordinance, a transaction tax on stock, commodity or options transactions. The legislation failed to receive a hearing.
- HB 3076 required a \$0.01 fee on every electronic banking transaction to be charged and deposited into an account to pay for scholarships for higher education. The legislation failed to get a hearing
- HB 3393 imposed a tax of 20% of investment fees. The legislation died in the House after failing to get a vote on the House floor.
- HB 3498 established a tax on financial institutions to pay for tuition for 1,500 students to Illinois community colleges. The legislation died without receiving a hearing in the House.
- HB 3859 contains language to eliminate the Savings Bank Advisory Board and places one savings bank member on the 12 member banking board. This legislation remains in House committee.
- SB 647 is the one opposed item of legislation that passed to the Governor. This bill extends the fees on foreclosure that were created in 2013 as part of the negotiation over the then high foreclosure rates in Illinois. The fee was set to expire; however, this legislation extended the fee for another 5 years. The legislation passed over the Leagues strenuous opposition, which was coordinated with the other banking organizations. ***We are currently working with the Governor's office to seek a veto of the legislation. The bill passed narrowly in the House, and it is unlikely a veto would be overridden.***
- SB 812 required certain banks to disclose, in an annual report, the amount of business that they were doing with vendors and the diversity of that vendor list. The legislation did not receive a vote on the Senate floor, and died.
- SB 949 made changes to the Condominium act stating that a financial institution is deemed to have signed off on any changes if the financial institution does not respond to the condominium association within 35 days. The legislation was ultimately amended in the Senate to increase the notification period to 60 days and

require notice by certified mail, reducing opposition. The legislation passed the Senate, but ultimately died in the House.

- SB 1246 prohibits attaching money saved for higher education from attachment or distress for rent. The legislation died without receiving a hearing in the Senate.
- SB 1719 implemented a tax of 20% on partnerships and S corporations engaged in investment management. The legislation passed the Senate and received a huge push in the House, but we were able, with other members of the banking coalition and the Chamber of Commerce, to keep the legislation from passing on the House floor. We anticipate the legislation will continue to be pushed through the summer and the deadline for passage has been extended.
- SB 1970 established a tax on any financial transaction executed in Illinois that is for an asset in an agricultural product. The legislation died without a hearing in the Senate.

Every bill that the League supported this year passed both Houses and is in the process of moving to the Governor's desk. These bills make the regulatory environment and daily operation our membership less burdensome and more efficient. The following legislation was **supported** by the Illinois League of Financial Institutions this year:

- HB 759 clarifies that a financial institution, or its employees, does not generally need a limited lines producer license to sponsor a group or individual credit life, credit accident and health, credit casualty, credit property, or other credit insurance policy. The legislation passed both Houses and has been sent to the Governor for consideration.
- HB 777 clarifies that municipalities can use a savings bank or credit union for all municipal banking needs. Although this is standard practice in Illinois, the existing law was in conflict. The legislation was an initiative of the League and the Illinois Credit Union Association. The legislation passed both Houses and has been sent to the Governor for consideration.
- HB 2514 was an initiative of the Federal Home Loan Bank and allowed for the sharing of confidential information between the Department of Professional Regulation and the Federal Home Loan Bank of Chicago. The legislation was supported by the League, passed both Houses with our assistance and has been sent to the Governor for consideration.
- HB 3282 clarifies that a data processor who has a contractual relationship with a financial institution does not own the data that the financial institution shares with it. The law makes it clear that a bank retains all ownership of any data that originates with it. The legislation passed both Houses and has been sent to the Governor for consideration.
- HB 3799 allows a financial institution to refuse a transaction if they suspect financial abuse. The legislation removes all liability from the financial institution acting consistently with the law. The legislation passed both Houses.
- SB 692 is the same as HB 759 regarding limited lines producer licenses. The bill passed both Houses and has been sent to the Governor for consideration.
- SB 1254 amends the Savings Bank Act to allow for the payment of quarterly installments for regulatory examination fees imposed by the Department of

Professional Regulation as determined by total assets. This bill passed both houses and has been sent to the Governor for consideration.

- SB 1694 clarified and increased the notification requirements that a lien holder receives notice from an individual charging fees on the storage of a vehicle. The legislation passed both Houses and has been sent to the Governor for consideration.