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With proposed bill, reps take on alternate revenue bond ‘abuse’

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A bipartisan bill introduced in Springfield by local legislators is taking aim at alternate revenue bond “abuses,” but some local leaders and bond experts fear it would add another level of bureaucratic red tape and stall what they see as a relatively everyday procedure.

House Bill 983 was introduced last month by state Rep. David McSweeney, R-Lake Barrington, with support from Rep. Jack Franks, D-Marengo. The bill would tighten regulations in the local debt reform act, specifically as it relates to alternate revenue bonds.

Alternate revenue bonds typically are issued by taxing districts to pay for projects with the understanding that the money is backed by an identified revenue stream. Often called double-barreled bonds, this funding mechanism promises taxpayer dollars if those revenues fall short.

In crafting the proposal, McSweeney took aim at McHenry County College’s proposed expansion plans, and drew attention to RedTail Golf Course in Lakewood. Alternate revenue bonds were used to subsidize Lakewood’s RedTail Golf Course. Taxpayers were left to foot the bill when the golf course didn’t take in enough to repay the debt.

“Lakewood was a disaster, and I don’t want that to happen with McHenry County College,” McSweeney has said.

MCC is in the middle of a feasibility study, the second stage in its proposed expansion. During phase one, alternative revenue bonds were floated around as one way to subsidize the proposed \$42 million project.

The college’s board chairwoman Mary Miller declined to comment for this story, stating she hadn’t read the bill.

Under the McSweeney-Franks bill, it would be easier for voters to have a say on whether taxing bodies should issue these bonds. The bill would decrease the number of signatures required to initiate a backdoor referendum, and increase the number of days to get said signatures.

The Illinois Policy Institute, a conservative, nonprofit think tank, called it a model reform for backdoor referendums.

“Solid reforms like this are definitely on the right path to adding more protections for taxpayer,” said Brian Costin, the Policy Institute’s director of government reform. “At the very least, it gives them more opportunities to say, ‘This is a bad idea, and were going to stop it.’”

The current law requires signatures from 7.5 percent of the registered voters in the taxing district. And 5 percent under the new proposal. There are 204,437 registered voters in McHenry County.

Doing so is a herculean task, some argue.

“That’s entirely unrealistic to do unless you have a massive amount of manpower to do so,” Costin

said.

The bill also would require that revenue from projects financed with alternate revenue bonds be able to pay 150 percent of the debt, an increase from 125 percent in the current law.

The pending legislation also provides that a state chief procurement officer oversee such projects, rather than local analysts. The current law requires an “independent accountant or feasibility analyst” or up-to-date audit showing that the taxing unit has sufficient revenues to back the bonds.

“It seems like there’s a lot of checks and balances [already] within the system itself, and it seems like you’re just adding another layer and more costs,” said Roscoe Stelford, the finance director in Woodstock. “Somebody’s going to have to pay for that. Who’s going to pay for the chief procurement officer?”

The answer is the taxing bodies taking out the bonds will cover the procurement officer’s fees if the measure moves forward. McSweeney hopes this officer will take the place of local consultants that taxing bodies are already hiring.

“Underwriters aren’t going to take their word for the fact that we can repay [the bond just] because the state says we can,” Stelford said. “They’re not going to change their process. I’m still going to be paying for an auditor’s opinion that says I can repay the debt.”

But McSweeney wants to ensure that these studies are approved by someone who doesn’t have skin in the game.

“Let’s make it a fair and nonpartisan person looking into these,” McSweeney said when the bill was introduced.

As the bill moves its way through the house of representatives, unnamed sources said there could be potential modifications to the bill, namely the chief procurement officer potentially could be written out.

But bond experts and local leaders fear the bill would be too restrictive and would bottleneck applications in Springfield, at a time when state lawmakers are struggling to rein in its own expenses.

As MCC board member Dennis Adams likes to say, “be careful of the bureaucracy you create.”