

1 AN ACT concerning local funds.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Local Governmental and Governmental
5 Employees Tort Immunity Act is amended by changing Section
6 9-107 as follows:

7 (745 ILCS 10/9-107) (from Ch. 85, par. 9-107)

8 Sec. 9-107. Policy; Tax ~~tax~~ levy.

9 (a) The General Assembly finds that the purpose of this
10 Section is to provide an extraordinary tax for funding
11 expenses relating to tort liability, insurance, and risk
12 management programs. Thus, the tax has been excluded from
13 various limitations otherwise applicable to tax levies.
14 Notwithstanding the extraordinary nature of the tax
15 authorized by this Section, however, it has become apparent
16 that some units of local government are using the tax revenue
17 to fund expenses more properly paid from general operating
18 funds. These uses of the revenue are inconsistent with the
19 limited purpose of the tax authorization.

20 Therefore, the General Assembly declares, as a matter of
21 policy, that (i) the use of the tax revenue authorized by
22 this Section for purposes not expressly authorized under this
23 Act is improper and (ii) the provisions of this Section shall
24 be strictly construed consistent with this declaration and
25 the Act's express purposes.

26 (b) A local public entity may annually levy or have
27 levied on its behalf taxes upon all taxable property within
28 its territory at a rate that will produce a sum that will be
29 sufficient to: (i) pay the cost of insurance, individual or
30 joint self-insurance (including reserves thereon), including
31 all operating and administrative costs and expenses directly

1 associated therewith, claims services and risk management
2 directly attributable to loss prevention and loss reduction,
3 legal services directly attributable to the insurance,
4 self-insurance, or joint self-insurance program, and
5 educational, inspectional, and supervisory services directly
6 relating to loss prevention and loss reduction, participation
7 in a reciprocal insurer as provided in Sections 72, 76, and
8 81 of the Illinois Insurance Code, or participation in a
9 reciprocal insurer, all as provided in settlements or
10 judgments under Section 9-102, including all costs and
11 reserves directly attributable to being a member of an
12 insurance pool, under Section 9-103; (ii) pay the costs of
13 and principal and interest on bonds issued under Section
14 9-105; (iii) pay judgments and settlements under Section
15 9-104; and (iv) discharge obligations under Section 34-18.1
16 of The School Code, as now or hereafter amended, and to pay
17 the cost of risk management programs. Provided it complies
18 with any other applicable statutory requirements, the local
19 public entity may self-insure and establish reserves for
20 expected losses for any property damage or for any liability
21 or loss for which the local public entity is authorized to
22 levy or have levied on its behalf taxes for the purchase of
23 insurance or the payment of judgments or settlements under
24 this Section. The decision of the board to establish a
25 reserve shall be based on reasonable actuarial or insurance
26 underwriting evidence and subject to the limits and reporting
27 provisions in Section 9-103.

28 Funds raised pursuant to this Section shall only be used
29 for the purposes specified in this Act, including protection
30 against and reduction of any liability or loss described
31 hereinabove and under Federal or State common or statutory
32 law, the Workers' Compensation Act, the Workers' Occupational
33 Diseases Act and the Unemployment Insurance Act. Funds
34 raised pursuant to this Section may be invested in any manner

1 in which other funds of local public entities may be invested
2 under Section 2 of the Public Funds Investment Act. Interest
3 on such funds shall be used only for purposes for which the
4 funds can be used or, if surplus, must be used for abatement
5 of property taxes levied by the local taxing entity.

6 A local public entity may enter into intergovernmental
7 contracts with a term of not to exceed 12 years for the
8 provision of joint self-insurance which contracts may include
9 an obligation to pay a proportional share of a general
10 obligation or revenue bond or other debt instrument issued by
11 a local public entity which is a party to the
12 intergovernmental contract and is authorized by the terms of
13 the contract to issue the bond or other debt instrument.
14 Funds due under such contracts shall not be considered debt
15 under any constitutional or statutory limitation and the
16 local public entity may levy or have levied on its behalf
17 taxes to pay for its proportional share under the contract.
18 Funds raised pursuant to intergovernmental contracts for the
19 provision of joint self-insurance may only be used for the
20 payment of any cost, liability or loss against which a local
21 public entity may protect itself or self-insure pursuant to
22 Section 9-103 or for the payment of which such entity may
23 levy a tax pursuant to this Section, including tort judgments
24 or settlements, costs associated with the issuance,
25 retirement or refinancing of the bonds or other debt
26 instruments, the repayment of the principal or interest of
27 the bonds or other debt instruments, the costs of the
28 administration of the joint self-insurance fund, consultant,
29 and risk care management programs or the costs of insurance.
30 Any surplus returned to the local public entity under the
31 terms of the intergovernmental contract shall be used only
32 for purposes set forth in subsection (a) of Section 9-103 and
33 Section 9-107 or for abatement of property taxes levied by
34 the local taxing entity.

1 Any tax levied under this Section shall be levied and
2 collected in like manner with the general taxes of the entity
3 and shall be exclusive of and in addition to the amount of
4 tax that entity is now or may hereafter be authorized to levy
5 for general purposes under any statute which may limit the
6 amount of tax which that entity may levy for general
7 purposes. The county clerk of the county in which any part of
8 the territory of the local taxing entity is located, in
9 reducing tax levies under the provisions of any Act
10 concerning the levy and extension of taxes, shall not
11 consider any tax provided for by this Section as a part of
12 the general tax levy for the purposes of the entity nor
13 include such tax within any limitation of the percent of the
14 assessed valuation upon which taxes are required to be
15 extended for such entity.

16 With respect to taxes levied under this Section, either
17 before, on, or after the effective date of this amendatory
18 Act of 1994:

19 (1) Those taxes are excepted from and shall not be
20 included within the rate limitation imposed by law on
21 taxes levied for general corporate purposes by the local
22 public entity authorized to levy a tax under this
23 Section.

24 (2) Those taxes that a local public entity has
25 levied in reliance on this Section and that are excepted
26 under paragraph (1) from the rate limitation imposed by
27 law on taxes levied for general corporate purposes by the
28 local public entity are not invalid because of any
29 provision of the law authorizing the local public
30 entity's tax levy for general corporate purposes that may
31 be construed or may have been construed to restrict or
32 limit those taxes levied, and those taxes are hereby
33 validated. This validation of taxes levied applies to all
34 cases pending on or after the effective date of this

1 amendatory Act of 1994.

2 (3) Paragraphs (1) and (2) do not apply to a
3 hospital organized under Article 170 or 175 of the
4 Township Code, under the Town Hospital Act, or under the
5 Township Non-Sectarian Hospital Act and do not give any
6 authority to levy taxes on behalf of such a hospital in
7 excess of the rate limitation imposed by law on taxes
8 levied for general corporate purposes. A hospital
9 organized under Article 170 or 175 of the Township Code,
10 under the Town Hospital Act, or under the Township
11 Non-Sectarian Hospital Act is not prohibited from levying
12 taxes in support of tort liability bonds if the taxes do
13 not cause the hospital's aggregate tax rate from
14 exceeding the rate limitation imposed by law on taxes
15 levied for general corporate purposes.

16 Revenues derived from such tax shall be paid to the
17 treasurer of the local taxing entity as collected and used
18 for the purposes of this Section and of Section 9-102,
19 9-103, 9-104 or 9-105, as the case may be. If payments on
20 account of such taxes are insufficient during any year to
21 meet such purposes, the entity may issue tax anticipation
22 warrants against the current tax levy in the manner provided
23 by statute.

24 (Source: P.A. 91-628, eff. 1-1-00.)