



OFFICE OF THE GOVERNOR
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Local government consolidation could improve state's credit rating

The following article appeared in The Bond Buyer:

Moody's Investors Service said it considers Illinois Gov. Bruce Rauner's appointment of a task force to look at local government consolidation and overhauling unfunded mandates to be a positive credit step.

Moody's in its weekly credit outlook March 26 noted that Illinois has the most local units of governments -- 6,963 - of any state.

"Any reduction in the number of distinct local governments that provide similar services would lower the overall costs supported by Illinois taxpayers," Moody's analysts wrote. "Further, the governor tasked the commission with reducing unfunded state mandates on local governments, potentially resulting in greater fiscal flexibility for the sector."

The existence of numerous local governments puts a significant burden on taxpayers who sometimes fund redundant core and administrative functions. Consolidation could reduce the number of administrators and support staff necessary to run the separate school districts.

In identifying ways to reduce unfunded state mandates, the task force could provide governments with more expenditure and revenue-raising flexibility. However, as part of his fiscal 2016 budget, the governor is also proposing to reduce state aid to certain units of government with local government income distribution cut in half to about \$600 million.

While Moody's considers the proposal a positive step, it does not impact the state's A1 rating or its negative outlook.

Rauner pitched the idea earlier this year in announcing his "turnaround" agenda and in mid-March announced members of the task force. The group is being chaired by Lt. Governor Evelyn Sanguinetti.

"Illinois has an excessive number of local government units and the state severely limits local governments' ability to control their own costs," Rauner said in a statement announcing the group. "Consolidating local government and reducing the burden of unfunded mandates imposed by the state will reduce costs, increase efficiency and improve delivery of services."

Members include a mix of state lawmakers, representatives of local governments, local government advocacy groups, and education officials.

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