



## LAWYERS FOR LOCAL GOVERNMENT

Developer Negotiations, Economic Development & Fiscal Impacts, Special Taxation

### Legislative Updates - *Red Flags Rule & STAR Bond Act*

#### **Red Flags Rule**

On, May 21st, 2009 we first informed you of a new regulation, the Red Flags Rule, that had been enacted by the Federal Trade Commission. This Rule applies to creditors, which specifically includes municipal utility companies. If you may recall, the purpose of this rule was to combat instances of identity theft by implementing procedures and other safeguards meant to identify and mitigate the risk that personal information may be accessed by untrustworthy sources. The FTC has announced that it will delay enforcement of this Rule until August 1st, 2009, meaning that municipalities and other creditors have additional time to implement Red Flags procedures and work out the kinks before becoming subject to FTC penalties for non-compliance.

#### **STAR Bond Act**

We first brought the "STAR Bond Act" to your attention on April 28th, 2009. You may recall that this Act allows local governments to issue bonds for certain development and redevelopment projects, using the sales tax from the surrounding area to pay off that bond. Since that time, an amended version of this Act was passed in both the House and the Senate. The legislation has now been forwarded on to Governor Pat Quinn for final approval.

The amended version makes several changes to the Act; in fact, this version is almost 100 pages longer than the version we first reported on. The amendments were an attempt to fix some of the glaring problems of the Act. In our April alert on this topic, we listed several of our concerns regarding the practical effects of the proposed legislation, many of which were shared by other parties around the state. Although the amended version that has been passed by both houses has cured some of those concerns, many still linger.

For example, there may only be one STAR Bond District within a 250 mile radius; the amended version of the Act did nothing to cure this huge issue. There are also negative implications for businesses in surrounding areas; the potential loss of revenue in these areas may have grave consequences for nearby municipalities. This is not meant as a comprehensive overview of the amended Act, but as a reminder that although the legislation is moving forward, in its current form it is still too problematic to receive support from our firm.

*This information is provided by Paul S. Nicolosi, JD. Mr. Nicolosi holds a degree in Political Science with an emphasis in business and economics from Loyola University of Chicago (1987) and a law degree from Northern Illinois University (1990). Upon graduation from law school, Mr. Nicolosi became partner at his family's sixty year old law firm – Nicolosi & Associates, LLC, and a principal at the firm's affiliated consulting business - The Buckley Companies.*

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