



Written by [Bob Adelman](#) on April 13, 2018

Harvey, Illinois, Can't Make Pension Contributions, Lays off Police & Firemen

Tuesday's [decision](#) by the city of Harvey, Illinois, a Chicago suburb with a population of 24,950, to lay off nearly half of its police and fire-department workers came a day after a judge ruled against the city's emergency motion asking the judge to keep the sales and use tax revenues collected by the state flowing to the city, instead of being diverted to pay pension-plan contributions the city has failed to make for years.



Under a state law passed in 2010, Illinois, which collects various sales and use taxes from residents of and visitors to the city in order to pay for city employees and services, can instead in effect garnish those taxes and use them to make the city's pension-plan contributions. The decision to do so by the state comptroller's office stems from a lawsuit won by the Harvey Police Pension Fund in 2015, successfully claiming that Harvey had not paid \$7 million due the fund from 2007 to 2014.

The so-called garnishment of \$1.5 million took money that the city was counting on to make payroll on Friday (along with health-insurance premiums) and diverted it to the pension fund. This left the city in desperate financial condition, according to the *Chicago Tribune*: The city had only \$200,000 available to meet Friday's \$400,000 payroll and pay the \$300,000 employees' health-insurance premium.

It's too easy to blame the mess solely on the city's unwillingness to make those pension-plan contributions. It's much more accurate to say that the problem with Harvey isn't financial so much as it is cultural. For years Harvey's officials have faced numerous charges of corruption. Since 2007 the mayor has refused to allow the state to audit its finances. In 2014 the Securities and Exchange Commission claimed that the mayor had issued a fraudulent bond offering related to a "scheme" that tricked investors into lending millions for a hotel development deal that instead diverted \$800,000 to one of the mayor's top aides. In 2016 the aide, Joseph Letke, died of an "apparent" suicide, while the mayor, Eric Kellogg, got off with paying a \$10,000 fine while admitting no wrong doing.

In November 2016 Kellogg unilaterally, arbitrarily, and illegally removed four aldermen who had opposed him on various issues and replaced them with his own people. Once they were seated, Kellogg declared a quorum and passed the issues that his opponents had successfully blocked.

At present, the police retirement fund is underfunded by half, while the fire department's plan is just 22-percent funded. The city is poor (almost half live in poverty), suffers from high unemployment (over 20 percent), and those who own real estate have seen their values drop by a third thanks to the city's outrageously high taxes. As a result the city has lost more than 10,000 residents in the last three decades, leaving behind fewer and fewer taxpayers to bear the city's burdens.

Sadly, this isn't unique in Illinois. According to a researcher at the University of Chicago, there are 74 police or fire pension funds in towns that are in similar trouble as Harvey's, including Burbank, Evergreen Park, Maywood, Melrose Park, and Niles. As the Civic Federation's Laurence Msall explained: "If they ignore the law and don't make their contributions as Harvey hasn't, then yes, those



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[pension plans] all around the state have the ability to seek an intercept of state revenues that would otherwise come to the municipality.”

Harvey alderman Chris Clark explained that “as a result the [state keeps] that money ... from the city of Harvey ... and we don’t know how we are going to make payroll and [pay for] other city services.”

It’s too simple to blame Harvey’s troubles on its willful failure to make those pension-plan contributions. The city suffers from a toxic cocktail of corruption, deceit, self-dealing, and a distinct inability by city officials to do anything about it. For instance, Fox News, during its own investigation of the situation there, uncovered a check drawn on a city checking account in the amount of \$12,000 issued to a local salon for “services rendered.” This in a town that can’t afford to pay its bills or make its pension plan contributions, and where nearly half of the residents live below the poverty line.

2014 photo of Harvey Mayor Eric Kellogg speaking to police officers: AP Images

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