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# COOK-WITTER REPORT

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## Legislature hammers out FY '05 Budget

**O**n Friday, July 30, Governor Blagojevich signed the Fiscal Year '05 state budget as the General Assembly sent it to him. The budget was signed with no public displays, and with a press release to explain the end result of the extraordinary legislative session that went a record-setting 54 days past the usual May 31 adjournment deadline. In late June, the Governor called the legislators into special session 17 times over a month. The cost of the special sessions added up to more than \$300,000 due to the \$95 per diem the 177 members Assembly receive, although a number of legislators refused, returned, or made a charitable donation of the per diem. The overtime session became the longest overtime legislative session in state history at 54 days. The lawmakers had passed a one-month stopgap budget, which expired August 1<sup>st</sup>.

The General Assembly approved the \$45.5 billion plan on July 24<sup>th</sup>. The budget included \$1.3 billion in cuts and \$500 million in new spending. The FY 2005 budget contains approximately \$364 million in new money for education. With another \$25 million being reallocated within the State Board of Education, K-12 spending will total about \$390 million. The reallocated funds comes from such programs as Early Intervention (\$1 million); Transitional Assistance (\$2.3 million); Standards and Assessments (\$6.3 million); and Reading Improvement (\$3 million). The budget also included about \$346 million for health care spending. The budget does not include income or sales tax increases. The estimated \$2.3 billion budgetary deficit was balanced by cutting state agencies' spending by 2.5 to 4 percent and increasing some fees and fines. Governor Blagojevich had wanted to raise fees and taxes on businesses and borrow money to deal with increases in health care and education. While his proposals were accepted last year, he faced opposition to his borrowing plan and fee increases this time around. House Speaker Madigan disagreed with Senate President Emil Jones and Governor Blagojevich over suggested revenue sources and spending programs. The House and Senate Republican leaders sided with Speaker Madigan in his efforts to control the level of spending and borrowing.

A new phase was introduced this legislative session. Leg-

islative leaders demanded the Governor sign "memorandums of understandings" or MOUs. The Governor signed more than 50 of these written promises on specific commitments because legislators feared the Governor might back out on parts of the budget deal. While the MOUs are not being characterized as legally binding contracts, they do underscore a basic level of mistrust about agreements that are reached between legislative leaders and the Governor. Last year after a budget negotiated by the Governor and leaders was passed, the Governor did line-item and reduction vetoes. Some of the memos deal with some legislators' pet projects. Another one specifies that public universities can have no budget reserves imposed on them. This

could possibly be a response to action last year when the Governor asked universities to set aside 2 percent to help balance the budget.

The budget contains \$2.5 million in capital expenses. The Governor can also use \$260 million in surplus money from funds dedicated for specific purposes.

When the session went into overtime, a three fifths vote became necessary instead of a simple majority and then necessitated Republican support to pass.

The legislature voted to terminate the terms of all seven members of the Health Facilities Planning Board and establish stricter rules for a new, five-member board. On August 9, the Governor signed that legislation. (See People In Transition.)

The Governor had wanted to dismantle the State Board of Education and create a new department under his control; instead, he gained the power to appoint most of the board members. Prisons at Vandalia, Pontiac, St. Charles, and a mental health facility get to keep their doors open; the Governor had called for their closing earlier this year.

Governor Blagojevich sought to have a memorandum of understanding in place regarding his economic development plan, Opportunity Returns. The program did not receive funding during the legislative session. However, the memorandum calls for the Governor and the legislative leaders to negotiate between now and the fall Veto Session to arrive at a complete



capital program by reviewing spending plans, as well as future unfunded projects.

The two land buying programs Governor Blagojevich suggested placing on a one-year hiatus were funded after all. The Open Space Land Acquisition and Development grant program and the Natural Areas Acquisition Fund received \$30 million, allowing land to be purchased in order to protect open spaces in Illinois.

A hot issue that gained steam during the spring session involved medical malpractice. Skyrocketing doctors' insurance costs are at the root of the problem causing some doctors to leave their practices in some parts of Illinois. Negotiations continued unabated during the summer. In the end, a number of suggestions for reform were made, but nothing was resolved.

The Governor's proposal to eliminate a tax exemption for seed and fertilizer purchases for farmers was not acted upon. A number of corporate tax loopholes were closed to raise \$150 million in new revenue. The breakdown includes eliminating the

watercraft use tax loophole - \$6 million; eliminating offshore tax havens - \$15 million; taxing corporate income as business income - \$30 million; and complying with federal tax shelters is estimated to bring in about \$100 million.

Various state agencies and functions will be merged at an estimated savings of \$15 million. The Departments of Professional Regulation, Financial Institutions, Banks and Real Estate and Insurance will become a new Department of Financial and Professional Regulation. The Circuit Breaker Program will become a part of the Department on Aging; LIHEAP, an energy assistance program for those with a low income will become a part of the Department of Public Aid; and the Illinois Building Commission will be folded into the Capital Development Board. Finally, the Governor is consolidating the press offices of nearly 25 state agencies and boards into one press office. This significant consolidation will result in an estimated \$1 million in savings.



## New Laws on the Books

A couple of new laws help protect consumer rights. **Public Act 93-1002** regulates the sale of prepaid calling cards. Calling card providers will now be required to be certified by the Illinois Commerce Commission. The law is an effort to curb the sale of fraudulent calling cards. As the Governor states, "This law will better protect Illinoisans from fraud and deception, especially our immigrant and Latino communities." Complaints have ranged from prepaid cards failing to provide the number of minutes advertised to exorbitant fees being charged. The law will take effect July 1, 2005.

Gift cards must clearly reveal any expiration dates, service charges, or other fees as a result of **Public Act 93-945**. The issuer must post written notice regarding the policy for dormancy fees, service charges, account maintenance fees, cash-out fees, replacement card fees, activation or reactivation charges, etc. According to Attorney General Lisa Madigan, "Gift cards have a cash equivalent, but when stores start charging unnecessary or hidden fees, it's as if gift cards are the gift that keeps on taking."

Background checks for particular jobs are becoming more far-reaching under legislation signed recently. An applicant for a job with a school district will now face a search of the FBI criminal history records database. Previously only the Illinois criminal history records database was checked, and only a seven-year felony search was conducted. Under **Public Act 93-909**, now the ISP and FBI will furnish fingerprint based searches with no time limits on how far back the search extends.

Concern for public safety was a factor in passage of the following two laws. "Toughman" competitions, in which untrained fighters beat on each other sometimes to the point of

death, will be outlawed by the Governor's signing **Public Act 93-978** into law on August 21, 2004. At least 12 people have died across the country in those competitions. Sixteen other states have already banned or severely limited these types of competitions.

The Illinois Diseased Animals Act has been amended with the signing of **Public Act 980**. This law affects swap meets where exotic animals are traded. Swap meet organizers are required to notify the Illinois Department of Agriculture at least 30 days before the meet is held and must keep records of transactions at the meet for at least a year. According to Governor Blagojevich, "Swap meets have become especially problematic for state animal health investigators because of the growing popularity of exotic animals." Within the last year or so, some Illinois residents were sickened by the monkeypox virus, passed to them by infected prairie dogs. The lack of a paper trail at swap meets also proved problematic more recently when animal health officials were attempting to collect giant African snails, which can cause significant environmental damage and spread disease to humans.

A number of laws were passed relating to transportation issues, i.e., farmers, trucks, and safety on the highways. Two public acts **93-955** and **93-947** pertain to work zone protections. Under PA 93-955, speeders in work zones will be fined \$250 plus an additional \$125 to be deposited in the Transportation Safety Highway Hire-back fund. This fund is used to hire off-duty state police officers to monitor construction zones. Second time offenders will be subject to a fine of \$750 and an additional \$250 to be placed in that abovementioned fund. Public Act 93-947 allows the state police to use a camera in controlling traffic in a highway construction zone. The automated traffic control systems (camera) will record a vehicle's speed, capture a clear image of the vehicle, its operator, and registration plate. The

camera will only be used when workers are present. **Public Act 93-971** grants farmers more freedom to transport their grain along Illinois roads and highways during the harvest season. Special permits will be issued allowing farm vehicles to exceed normal weight limits in transporting agricultural products over highways, excluding interstate highways. Legislation signed on September 3<sup>rd</sup> gradually phases out a fee imposed on the trucking industry last year. **Public Act 93-1033** also closes a tax loophole benefiting purchasers of Hummers and other big sport-utility vehicles. According to a Chicago Tribune article, about 15,000 people took advantage of the loophole last year by registering SUVs as commercial vehicles and in that way, avoiding sales tax. Nearly \$22 million was lost in potential state revenues.

A few laws were passed concerning individual and family rights. Under **Public Act 93-942**, it is now legal for women to breastfeeding in public places. This piece of legislation is in response to a suburban Chicago woman who was asked to stop breastfeeding at a health club nursery by an employee. Places of worship may be a potential exception to this law. **Public Act 93-921**, signed on August 12, 2004, creates the Gestational Surrogacy Act. The Act offers guidelines for creating surrogacy contracts and establishes the requirements for becoming a surrogate. **Public Act 93-911** provides for expanded visitation rights for grandparents and great-grandparents. The Governor signed new legislation on July 27, 2004 expanding the number of safe havens available to abandoned newborns. **Public Act 93-820** allows parents to safely abandon their newborn infants at police stations. The list of safe havens also includes hospitals, fire stations, and medical emergency facilities. The parents are granted immunity from prosecution if they safely abandon infants within 72 hours after birth. The legislation passed both chambers unanimously. Forty-five states have similar laws in place.

In an effort to help victims of domestic abuse, **Public Act 93-944** was signed into law on August 17, 2004. The law stipulates that orders of protection must include language spelling out the possible harsh penalties involved in violating the order, as well as language stating the order is enforceable in all fifty states. Passed unanimously in both chambers, the legislation applies to all three types of protection orders: emergency, interim, and plenary. The latter can be valid up to two years.

**Public Act 93-1012** protects members of the military who are called up to active duty in the Illinois National Guard or United States Armed Forces, specifically those that are employers who are forced to close their businesses because they are called up to active duty. When business owners are forced to lay off people due to their military service, they will no longer face an increase in the employer's unemployment insurance rate when the owner returns from service.

Two major pieces of educational reform passed the General Assembly this session. The Monetary Award Program (MAP), which provides grants to help Illinois college students pay tuition and fees based on financial need, receives some major changes with the signing of **Public Act 93-1032**. Now, MAP grants can be used during the summer term, previously only

available during spring and fall. Additionally, the legislation changes the way MAP grants are awarded. Students will receive aid up to 135 credit hours; previously, the aid was based on the equivalent of four years of full-time enrollment. According to Larry Matejka, Executive Director of the Illinois Student Assistance Commission, the state agency that administers MAP, "since many students work while attending school, they often find it difficult to fit in a full schedule of classes, on top of work and family commitments."

The State Board of Education underwent a major restructuring under legislation signed on September 14<sup>th</sup>. **Public Act 93-3000** grants the Governor the power to appoint seven new members to the State Board. The legislation reduces the length of the members' terms from six years to four years. Governors will be able to remove board members for incompetence, neglect, or malfeasance. The Board's financial situation will be under greater scrutiny; for the first time, the Board will be subject to line-item budgeting. This law also creates shared service centers so that school districts will have the option of pooling their resources to save on administrative costs.

The Governor Blagojevich's State of the State speech this past January dealt almost exclusively with a call for the creation of a new Department of Education and the dismantling of the current State Board of Education. While the Governor did not get his new state agency, he did ensure that future governors will be able to appoint the majority of members to the State Board when they take office. The Governor appointed the following people to the State Board of Education.

**Jesse Ruiz** (Chicago), a partner in the law firm Gardner, Carton, and Douglas, has been appointed Chairman of the new State Board of Education.

**Dr. Andrea Brown** (Goreville) served as Regional Superintendent of Schools for Alexander, Johnson, Massac, Pulaski and Union Counties from 1994 to 2003.

**Dr. David Fields** (Danville) most recently served as superintendent of Danville District #118 from 1991 to 2001. He is also quite active in his community, serving as member on over 20 community organizations.

For over 30 years, **Ed Geppert** (Belleville) has worked with the Illinois Federation of Teachers (IFT). Until June of this year, he served as chief of staff for the IFT.

**Dr. Vinni Hall** (Chicago) worked in administration and instruction for more than 30 years. She also served as a consultant to Chicago Public Schools and the Illinois Center for Education and Rehabilitation.

**Brenda Holmes** (Springfield) worked at the State Board of Education for several years before joining the Blagojevich administration in 2003 as the Governor's Deputy Chief of Staff for Education.

**Dr. Chris Ward** (Lockport) recently retired as the Lockport Township High School District #205 Superintendent. These appointees must receive confirmation by the Senate. The two existing members on the State Board, **Dean Clark** of Glen Ellyn and **Joyce Karon** of Barrington, have both been on the Board since January of 2003.

The new Board wasted no time in making changes. During their first board meeting, **Dr. Randy Dunn** of Chester was appointed Interim Superintendent of Education. The Governor recommended Dunn for the position. He is currently on leave from his position as Chairman of the Education Administration and Higher

Education Department at Southern Illinois University – Carbondale. **Superintendent Robert Schiller**, who has been at odds with the Governor all year, was placed on a leave of absence on September 20<sup>th</sup>. Five days later, Schiller tendered his resignation, to be effective October 1<sup>st</sup>.



## People In Transition

On July 7<sup>th</sup>, the Governor had declared a moratorium on the Health Facilities Planning Board activities. In August, the Governor signed House Bill 7307 into law, which ended the terms of all nine members of the Board and allowed him to name members to a reconfigured five-member board. Public Act 93-889 also places additional restrictions on who can be a member of the board. Governor Blagojevich recently named three new members to the Illinois Health Facilities Planning Board. All three appointees have experience working in or with the health care industry. **Glenn Poshard** of Carbondale, has been appointed the new chairman. Poshard is a former United States Congressman and state legislator from southern Illinois. **Pamela Woodward** of Palos Park is a vice president and financial advisor for Morgan Stanley in Orland Park. Chicagoan **Susana Lopatka** retired in December 2002 after sixteen years with the Illinois Department of Human Services. Two more members need to be named, but the Board can resume meeting because it has a quorum.

**John Daly** retired after 30 years as director of the State Archives. Former *Cook-Witter Report* editor **Dave Joens** of Springfield was recently named to fill the position left vacant by Daly. Joens leaves his position as research analyst in programs and policies for the Secretary of State for the directorship. Prior to his stint at the Secretary of State, he served as editor of the *Cook-Witter Report* from 1996 until 2000 while working as assistant director at the Illinois Legislative Studies Center at UIS.

**Mark Kolaz** has been named the Assistant Superintendent for Operations at the State Board of Education. Most recently, he was serving as senior advisor in Legislative Affairs for Governor Blagojevich and as deputy director of Agriculture. As deputy director, Kolaz was responsible for managing the Illinois State Fair.

## In Memorium



Hundreds of people gathered in the Capitol Rotunda on Friday, September 24, 2004 to remember Statehouse security guard **William Wozniak**, who was shot while on duty on Monday, September 20<sup>th</sup>. The memorial service included a prayer and comments by Governor Rod Blagojevich and Secretary of State Jesse White among others. Fifty-one year old William Wozniak served as a security guard for the Secretary of State for 18 years before he was fatally shot at the main entrance of the Capitol. Governor Blagojevich issued a proclamation directing flags to be flown at half-staff Tuesday and declaring the day to be William Wozniak Memorial Day. Wozniak leaves behind wife Sheila, 16-year-old son Marc, and 13-year-old daughter Megan. Secretary of State Jesse White announced the establishment of the Bill Wozniak Trust Fund to go towards the education of Wozniak's two children. Donations can be sent to the National Bank of Petersburg, 321 North Sixth Street, Petersburg, IL 62675.

