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# COOK-WITTER REPORT

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## Governor Quinn Announces His Plan to Fix State's Woes

No one could envy the task facing Governor Pat Quinn on March 18th when, seven weeks after taking office and at a time when state revenues are plummeting, he had to outline his proposals for getting Illinois out of a \$11.5 billion budget hole -- "the largest in the state's history," he said. (Since that day Dan R. Long, the Executive Director of the Commission on Government Forecasting & Accountability, has said that the state deficit may actually be \$12.4 billion).

To attack the "gaping" deficit, "mountain of unpaid bills," and "rising unemployment" (8.6% statewide in February, according to the Illinois Department of Employment Security), Quinn recommended a combination of reduced state spending, tax and pension reform, and a capital and school improvements plan.

His proposed budget cuts include: four-day furloughs for state workers, increased health insurance fees for state employees, and a \$1.3 billion decrease in state spending. The state employees union, American Federation of State, County and Municipal Employees, and some lawmakers oppose the first two measures and other critics say the governor's budget doesn't require enough cuts from state agencies.

Another area affecting state workers, among others, are Illinois' pension systems, which state government has underfunded by \$55 billion, according to Quinn. (The state has five pension systems: one for lawmakers, one for judges, one for state employees, one for state university workers, and another for teachers who live outside of Chicago.) The governor

proposed reforming the pension systems by: increasing new state employees' retirement age and capping their cost of living pay hikes, and increasing current workers' pension contributions, among other measures. While the governor promised to fund this year's pension obligation, critics say he's relying too much on state workers to solve the budget problems, and that his plan does little to diminish the large debt Illinois owes its pension systems.



million Illinoisans. "Taxes should be based on the ability to pay," he said. Simultaneously, Quinn wants to raise the state's income tax from 3 percent to 4.5

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percent. In addition, he proposes hiking the business tax rate from 4.8 percent to 7.2 percent, and expanding the state sales tax to include personal hygiene items and certain non-alcoholic drinks.

While Senate President John Cullerton has since said that some tax increases are necessary to deal with the state's fiscal problems, other lawmakers and school funding reform proponents criticize Quinn for not proposing property tax relief or reform. Meanwhile, Sen. Minority Leader Christine Radogno has said she opposes raising the state's income tax at a time when unemployment is so high.

Education would get increased funding under Quinn's plan. He wants community colleges and higher education to get \$40 million more and early childhood, elementary and secondary education to get hikes as well.

During his budget address, Governor Quinn outlined his plan to create jobs while fixing or building roads, bridges, public transit, schools, a veterans' home in Chicago, and a third Chicagoland airport. Funding for the \$26 billion capital plan, called "Illinois Jobs Now," would come from increased vehicle usage fees (such as the annual sticker required for your license plate), federal stimulus monies, some tax revenues, and the state's Road Fund.

Nearly a week after the budget address, Senate President John Cullerton said he wants lawmakers to vote on the budget bill and capital bill together, not separately, but Republicans said they think a capital bill should be approved independently and as soon as possible, so construction can begin immediately. The governor has said he'd like lawmakers to okay part of his capital plan before adjourning for spring break on April 3. It is anticipated that final numbers or specific projects may not be voted on by April 3; however, some procedural aspects of the capital bill may be determined by then.

While Quinn's budget speech was interrupted more than a few times by applause, one of his best received comments was that his budget would reduce the state's payment schedule to Medicaid providers to 30 days. Some providers haven't been paid in months.

Saying Illinois faces an ethics crisis as well, the governor also explained his ideas for tackling that problem during his budget address. He called for Illinois law to be changed so voters can recall elected leaders and he appointed a volunteer Taxpayer Action Board, an idea he encouraged when he was lieutenant governor. The 20-member board will examine the state's expenditures and make recommendations about streamlining them. It will be headed by Tom Johnson, head of the Taxpayers Federation of Illinois.



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## Senate Leadership Sets Goals

When the 96th Illinois General Assembly convened this January, the Illinois Senate had to choose new leaders since former Senate President Emil Jones and former Senate Minority Leader Frank Watson were stepping down. The new leaders are Senate President John Cullerton, a Chicago Democrat who's been in the General Assembly for 30 years, and Senate Minority Leader Christine Radogno, a Lemont Republican who's been in the legislature for 12 years and is the first female legislative caucus leader.

While the new leaders acknowledge they face a daunting fiscal situation, both list increasing employment opportunities among their goals. "Both Senator Cullerton and I are coming in at a time of real crisis

in this state," says Sen. Radogno. She would like to "turn that crisis into an opportunity" and improve the "state's jobs climate and ethical environment."

"The economic crisis so dominates the General Assembly," says Sen. Cullerton. "This isn't just a bad year, this is as bad as I've ever seen in my lifetime, because literally we're bringing in a lot less money than we did the year before, and that's rare. So there's not much you can do if you have no money to do it and not even the ability to reduce people's tax burden." The fiscal forecast "is not any better," he adds.

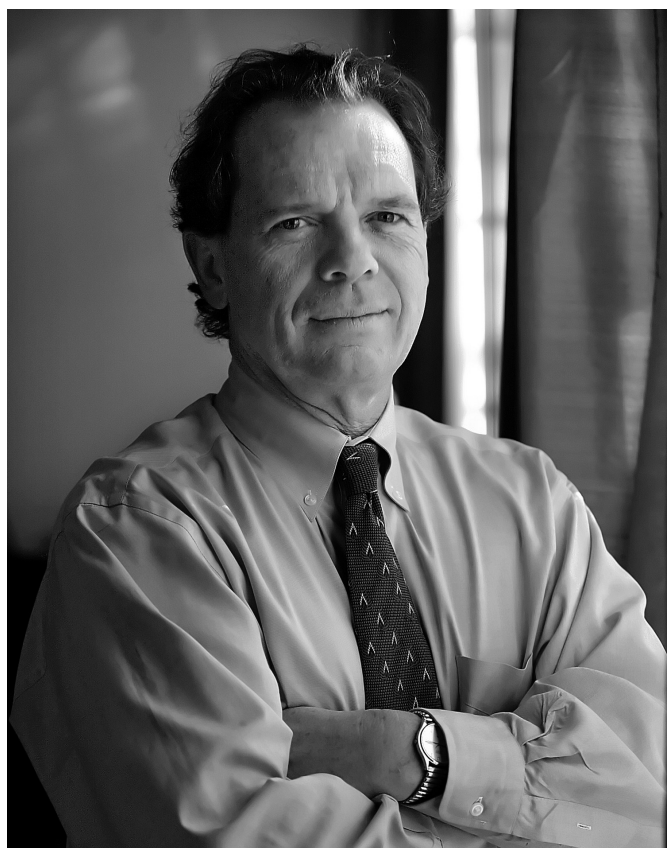
He believes the state must approve a capital bill to increase jobs, but recognizes "that adds another

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## Senate Leadership Sets Goals

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*Senate President John Cullerton. Photo courtesy of the Illinois Senate Democrats.*

billion dollars to our deficit gap.” Sen. Cullerton says the cost to create new jobs will come back to the state through income taxes they generate.

Both senators list improved relationships between the Senate Democrats and Republicans as another goal. “The problems we face are significant, so communication and working together are going to be an important part of that,” says Sen. Radogno. “I think one of the benefits (of becoming a leader) with somebody else who’s new is that we’re both very focused on having a positive impact.”

“I want to develop a better working relationship with the Republicans and try to change the tone, the partisanship, and bring a little bit more camaraderie,” says Sen. Cullerton. “We had a good start, I think, with working together on rules for the impeachment (proceedings of former Governor Rod Blagojevich).” In late February the Senate held a dinner for all Senators and their spouses at the Executive Mansion in order to foster communications. “From what I’ve

heard, and I talk to Sen. Radogno often, I think we made some good strides,” says Sen. Cullerton.

“There’s going to be disagreement on issues, but it’s important that the context in which we have those disagreements is respectful and productive,” Sen. Radogno says.

Being new leaders has advantages. “We have an opportunity to do something that hasn’t been done before,” says Sen. Radogno.

“Since both of us are new we don’t have a long history of fighting or grudges to hold,” Sen. Cullerton says. “We certainly know each other, we’ve been serving together for a long time, but not in this capacity. I think it’s somewhat refreshing.”

“I’m looking forward to and have been working with the House (of Representatives) as well,” he adds. “It is a bicameral legislature, so it’s kind of elementary that the House and Senate work together as well.”



*Senate Minority Leader Christine Radogno. Photo courtesy of the Illinois Senate Republicans.*

## Transitions

**Anthony DeLuca**, the former Mayor of Chicago Heights, has taken the seat of former **Rep. George Scully**, a Democrat, in the House of Representatives, representing the 80th District. Scully left the position in mid-February to become a Cook County judge.

**Kyle McCarter** has been appointed to replace retired Senator Frank Watson. Sen. McCarter, a Republican representing the 51st District, is a business owner in Lebanon, Illinois.

On March 10, **Betsy Hannig**, a Democrat, was chosen to take her husband, Gary Hannig's, seat in the House of Representatives, representing the 98th District.

On March 2, **Governor Pat Quinn** named **Warren Ribley** as new Director of the Illinois Department of Commerce and Economic Opportunity. Ribley was previously the Department's Director of Operations. He replaces **Jack Lavin** who has joined the governor's staff (see below).

Governor Pat Quinn appointed former Representative **Gary Hannig** as Director of the Illinois Department of Transportation in late February. Hannig, a Democrat, was Deputy Majority Leader in the Illinois General Assembly.

On March 22, Governor Pat Quinn named **Jonathon E. Monken** as Director of the Illinois State Police. The decorated military veteran is a former U.S. Army Captain with the Multi-National Corps-Iraq Civil-Military Relations. He replaces former Director **Larry Trent** who resigned.

About five weeks after he became governor, Pat Quinn chose a dozen people to join his staff. They are:

**Jack Lavin**, former Director of the Department of Commerce and Economic Opportunity, is the governor's Chief Operating Officer

**Carolyn Brown Hodge** – Deputy Chief of Staff

**Simone McNeil** – Director of Operations

**Robert Reed** – Director of Communications

**Michelle Saddler** – Director of Policy

**LaDawn Burnett** – Senior Policy Advisor

**Kate Tomford** – Director of Sustainability

**Cory Foster** – Director of Community Affairs

**Jennifer Hoelzle** – Director of Scheduling & Advance

**Jay Stewart** – Senior Counsel

**Sean Vinck** – Chief Legislative Counsel

**David Vaught** – Senior Advisor to the Governor

