



***AS PREPARED FOR DELIVERY***

## **Illinois' Turnaround Budget**

Good Afternoon.

President Cullerton

Speaker Madigan

Leader Radogno

Leader Durkin

Lieutenant Governor Sanguinetti

Attorney General Madigan

Secretary White

Comptroller Munger

Treasurer Frerichs

Members of the General Assembly,

Thank you for attending today. Thank you for your service to the people of

Over the past week, we've commemorated the life of Illinois' greatest leader, Abraham Lincoln.

In the lead up to his signing of the Emancipation Proclamation, President Lincoln delivered a letter to Congress, writing in part:

“The occasion is piled high with difficulty, and we must rise with the occasion... We must think anew and act anew.”

While the challenges before us are very different than those that faced our 16<sup>th</sup> President, here, in the Land of Lincoln, we recognize that the road ahead – our road to a more prosperous future – is a difficult one.

And like President Lincoln’s call to Congress, we too must “think anew and act anew.”

We must be willing to take actions we’d rather avoid, and make decisions that may seem unpopular in the short run.

The budget outlined today is the budget Illinois can afford, and that in itself is an example of “thinking anew.”

Because for far too long we have been living beyond our means—spending money that Illinois taxpayers could not afford.

This budget is honest with the people of Illinois, and it presents an honest path forward.

Like a family, we must come together to address the reality we face.

Families know that every member can’t get everything they want.

But we can pay for what we need most.

And we can reform our system so we are able to invest more in the future.

Because the task before us is so large, all our challenges cannot be solved by a single budget.

It will take time to restore Illinois to fiscal health.

Now is the time to start on a responsible path after years of financial recklessness.

Instilling discipline is not easy, saying “no” is not popular - but it is now or never for Illinois.

It is make or break time.

Before we can address next year's budget, we must first solve the current year's crisis.

As you know, the current budget was \$1.6 billion in the hole when it was signed last year.

And the prior administration directed state agencies NOT to control their costs.

As a result, we are in the middle of a crisis that gets worse every day.

The Child Care Assistance Program is out of money and families are worried about how to care for their children.

Court reporters will start missing payroll next month, threatening to grind our justice system to a halt.

And our state prisons will start missing payroll in early April, making them unable to fulfill their most basic operations.

Everyone in this chamber understands the severity of what is immediately in front of us.

Mr. President, Mr. Speaker, Leader Radogno and Leader Durkin – thank you for allowing your staffs to meet with our administration these past few weeks to find a responsible solution to our immediate budget crisis.

It appears that we are very close, literally days away, from a resolution. And every day counts.

Members of the General Assembly – now is the time for action.

It is time to solve this crisis.

Let's continue the Child Care Assistance Program.

Let's keep our court rooms open.

Let's keep our corrections officers on duty.

Let's put the people of Illinois over partisan politics.

Solving this year's crisis will eliminate \$1.6 billion from next year's deficit.

Let's get it done.

Even after we solve this fiscal year's crisis, we will still be left with a budget hole of \$6.2 billion for the coming fiscal year.

This huge deficit is the result of years of bad decisions, sleight-of-hand budgeting and giveaways we couldn't afford.

It is NOT the result of decreasing tax rates.

Some in the General Assembly are eager to discuss new revenue.

But before revenue can be discussed, reform is essential.

Before we ask the people of Illinois to pay more to fund state government, we must ensure taxpayers are getting value for their money.

Asking for more of the taxpayers' hard-earned money without fundamentally reforming the structure of state government would further erode public confidence and accelerate our decline.

Waste and inefficiency are rampant in the system. Illinois government is currently designed to benefit those inside the system rather than the working families of our state.

We must institute major reforms, or whatever balanced budget we craft this year will be undone in the years ahead by the special interests that make their money from the government and pay politicians to spend more. We must eliminate conflicts of interest in state government and end our broken system.

These reforms won't be easy. Decades of special interest laws will be difficult to undo. But to be compassionate, we must be competitive. And that means having the political courage to put the people's interests first and the special interests last.

Our top priority for financial reform must be our pension system. That is true regardless of the Supreme Court's decision on SB 1.

Even if our pension systems were fully funded, taxpayers would still be on the hook for \$2 billion.

But our pension systems are not fully funded. They are \$111 billion in the hole—the worst pension crisis in America.

As it stands right now, one out of every four dollars taken from taxpayers by the state goes into a system that is giving more than ELEVEN THOUSAND government retirees tax-free, six-figure pensions worth as much as, in one case, \$450,000 per year!

Without the reforms proposed in this budget, nearly 25 cents of every tax dollar will continue going into a broken pension system instead of into our social services safety net, our schools, or back into the pockets of taxpayers and small businesses!

That is unfair and unsustainable – and it changes with this budget.

Government employees deserve fair and competitive benefits, but we cannot continue to raise taxes on all Illinoisans in order to fund the retirement benefits of a small fraction of our residents.

The pension reform plan in this budget will protect every dollar of benefits earned to date.

Let me repeat that: the pension reform plan protects every dollar of benefits earned.

What you've earned, you're going to get.

And if you are retired, you get everything you were promised. That's fair and it's right.

But moving forward, all future work will be under the Tier 2 pension plan, except for our police and firefighters.

Those who put their lives on the line in service to our state deserve to be treated differently, and I believe the public will stand with me in this single case of special treatment.

This budget also gives employees hired before 2011 a choice to take a buyout option – a lump sum payment and a defined contribution plan in return for a voluntary reduction in cost-of-living adjustments. It's time to empower our workforce and address one of the biggest fiscal challenges we face.

These reforms will yield more than \$2 billion in savings in the first year alone.

And by bringing health care benefits more in line with those received by the taxpayers who pay for them, we save an additional \$700 million.

We recognize that some of these reforms cannot be achieved through legislation alone.

Some must be achieved through good faith bargaining, and I hope that those on the other side of the table are as committed as I am to achieving the types of meaningful reform that are necessary for Illinois' future.

While the state tightens its belt, so too must local governments and transportation agencies.

The amount of money transferred to local governments has grown 42 percent over the past decade. The state currently transfers \$6 billion every year to local governments. Those governments are currently sitting on more than \$15 billion in cash reserves.

The reduction in local government sharing in this budget is equal to just 3 percent of their total revenue.

Along with this modest cutback, our turnaround reforms will reduce unfunded mandates, and give local governments and voters the tools to save hundreds of millions of dollars through consolidation, employment flexibility and compensation restructuring.

Similarly, waste and inefficiency can be cut from the complex web that comprises our public transportation structure.

Statewide, our public transportation agencies spend billions of taxpayer dollars.

Our budget reductions for the state's largest transit agency amount to less than 5 percent of its overall budget, and here, too, the proposals in our turnaround agenda give our transportation entities the tools to save hundreds of millions of dollars.

Reining in these costs allows us to minimize reductions in other areas of the budget.

For Medicaid, our budget reduces costs significantly while maintaining eligibility levels for most lower-income Illinoisans.

We plan to re-implement many of the Medicaid reform measures that were enacted just a few years ago but have already been undone.

By re-instituting the SMART Act and prioritizing our re-determination efforts, we will save hundreds of millions of dollars.

Our budget will also reduce costs by fixing our broken criminal justice system.

Far too many offenders return to prison within three years of leaving – a vicious and costly cycle.

Our prisons are overcrowded.

Our corrections officers are overworked.

By reforming our criminal justice system we can make our prisons safer, rehabilitate ex-offenders so they become productive members of society, and save many tens of millions of dollars.

Taken together, our turnaround reforms, along with the difficult but necessary choices in this budget, will enable us to invest in our future.

Making these tough choices is a small price to pay for the promise of a better tomorrow for our children and grandchildren.

In the gallery today, we are joined by students from Lincoln Community High School in Lincoln, and Lanphier High School and Lincoln Magnate School in Springfield.

This budget allows us to invest in them.

For years, state support for education has been cut, even when it didn't have to be.

It's time to make education our top priority again – and that's what this budget does.

We start by increasing high-quality early childhood education options for our most vulnerable children.

Every dollar invested today in early childhood education saves us more than \$7 in the future.

Increasing funding for our youngest is the smart AND the compassionate thing to do.

This budget also increases K-12 education funding by \$300 million, helping school districts in our state that most need our support.

We have much more work to do to make our schools among the best in the nation, but we're proud of the commitment we are making in this budget.

What we proposed today is a turnaround budget.

It improves public safety, provides care for our most vulnerable, boosts funding for education, and restructures the core costs of state government that are holding us back.

However, while this budget begins to fix our financial problems, the only real answer to our challenges is to become pro-growth again.

We need a booming economy – more small businesses and entrepreneurs starting here, and more people and businesses moving here.



If we don't take action now to expand the economic pie, the people of Illinois will forever be left to fight over smaller and smaller slices.

Our citizens deserve a path to economic growth and empowerment – and that means putting people first and special interests last.

To grow our economy, we must enact meaningful workers compensation reform, unemployment insurance reform, lawsuit reform, pension reform and tax reform.

We've got to freeze property taxes, cut the red tape inside state and local government, and let people control their own economic destinies.

We need to end the corrupt bargains and the conflicts of interest. And we need to finally let the people have their say on a "Term Limits Amendment" to the state constitution.

If we make these reforms, we will be laying a solid foundation for economic growth and prosperity.

With reform, we will be able to:

- Invest more in education and give our kids world class schools;

- Invest more in our social safety net to help our most vulnerable residents;

- And invest more in our infrastructure.

This turnaround plan reflects President Lincoln's call to "think anew and act anew."

In it, we end the irresponsible and reckless practices of the past, and make sure they will never happen again.

We make difficult choices that no one wants to make.

It is what this occasion requires.

And it's what we were elected to do - make choices based on what's best for the next generation, not the next election.

This is our last, best chance to get our house in order.

Let's get it done.

Thank you. And God bless you.



## **The Turnaround Budget**

This is a turnaround budget. It reduces spending while funding essential government services. The budget improves public safety, provides care for the most vulnerable and boosts funding for education while restructuring the core costs of state government that are holding Illinois back. It puts Illinois on a fiscally-sustainable path.

### **Major Points:**

- Eliminates \$6.2 billion structural deficit.
- Unlike the FY2015 budget, this budget uses honest accounting and is structurally balanced.
- Relies on no tax increases or borrowing.
- Includes \$500 million to pay down unpaid bill backlog.
- Increases K-12 education spending by roughly \$300 million
- Increases early childhood education funding by \$25 million.
- Most money for education general state aid in Illinois history.
- Enacts true pension and benefit reform, saving the state nearly \$3 billion in the first year.
- Looks at the state as a whole and treats all regions fairly.
- Focuses on core functions of government and delivers essential services.
- Submitted on time.

### **The Budget:**

#### ***Invests in our children***

- The budget increases funding for early childhood and pre-K-12 education.
- Leaves intact health and human services programs for children, including children of immigrants.
- Foster care services for children are not reduced.
- Child care dollars are prioritized to serve the youngest children to prepare them for school.

#### ***Prioritizes care for the most vulnerable***

- Programs that serve our aging or disabled populations will focus on those with higher needs, rather than those most able to care for themselves.

#### ***Promotes public safety and reforms criminal justice system***

- Increases corrections and juvenile justice budgets in order to improve conditions in state prisons and reduce the number of offenders in Illinois.

#### ***Focuses on programs that serve the entire state***

- Public health and state police laboratories, licensing and permitting functions, inspections and statewide road maintenance were prioritized over services to specific populations.



## Key Policy Points:

### Criminal Justice

- Increases Department of Corrections staffing levels by 473 positions.
- Increases funding for Mental Health program in the Department of Corrections by \$58.5 million.
- Increases funding for Adult Redeploy by over 50%.

### Juvenile Justice

- Department of Juvenile Justice budget is increased by \$14.7 million.
  - Increases educational staffing in our juvenile justice system by 60 positions.
  - Invests \$5 million in Juvenile Redeploy.
  - Invests additional \$3.1 million in Aftercare compared to FY15.

### Department of Children and Family Services

- Improving and reforming the state's Department of Children and Family Services is a top priority of the administration.
- Adults who will no longer receive services from DCFS can receive services from other State agencies for which they are eligible.

### Public Health

- Adds 50 nursing home surveyor staff to improve safety in nursing homes.

### Medicaid

- Leaves intact health and human services programs for children, including children of immigrants.
- Minimizes services reductions to adult population.
- Re-institutes SMART Act reforms to save \$320 million.
- Saves \$75 million by reinstating aggressive review of eligibility.

### PK-12 Education

- Increases early childhood education by \$25 million.
- Puts about \$300 million more into K-12 classrooms.
- Most money for education general state aid in Illinois history.

### Higher Education

- Preserves funding for community colleges.
- Preserves funding for MAP grants.
- Continues to fund other grants including those for children of police officers, fire fighters, and correctional officers killed or disabled in the line of duty.
- The budget reductions are less than 6% of the universities' total budgets.
- The state universities have endowments totaling over \$2.5 billion.
- Illinois is the 5<sup>th</sup> most populous state in the country but #4 in support for higher education. That remains true after these savings.



#### Department of Commerce and Economic Opportunity/Historic Preservation

- Folds Historic Preservation Agency into the Department of Commerce and Economic Opportunity.
- Establishes the Abraham Lincoln Presidential Library and Museum as an independent entity.
- Merges the Local Tourism Fund, International Tourism Fund, and the Chicago Travel Industry Promotion Fund into the Tourism Promotion Fund (TPF) to reduce the number of state funds.

#### Transportation

- Increases funding to road and state construction fund by \$120 million to \$1.85 billion.
- The reduction to RTA is 4.4 percent of its budget. State of Illinois will continue to provide \$131 million of support for the RTA's Strategic Capital Improvement Bonds.
- The state subsidy for downstate transit will be what the agencies expended in FY2014, and the state remains the primary funder of downstate public transit system.

#### Local Governments

- The amount of money transferred to local governments has grown 42 percent over the past decade.
- The state currently transfers \$6 billion every year to local governments.
- Those governments currently have cash reserves of over \$15 billion.
- The reduction to local governments is 3 percent of their budgets.
- Even with the reduction, Iowa, Indiana, Missouri & Kentucky share less revenue with local governments as a percentage of their total budgets.

#### Bureaucracy

- Reins in total costs by nearly \$3 billion.
  - *Pension Reform:*
    - Saves taxpayers over \$2.2 billion in FY 2016.
    - Saves taxpayers over \$100 billion over 30 years.
    - Immediately improves the state's unfunded liability by \$25 billion.
    - State employees get to keep what they've already earned, but beginning July 1, all newly earned benefits will be equal to the benefits available to state employees hired after 2011.
    - Eliminates spiking.
    - Excludes police and fire.
    - Eliminates overtime in determining pension benefits.
    - Gives employees hired before 2011 a buyout option – a lump sum payment and a defined contribution plan in return for a voluntary reduction in cost-of-living adjustments.
    - The plan is constitutional as it does not reduce earned benefits.
  - *Group Health:*
    - Saves \$700 million by bringing costs more in line with the taxpayers who pay for the state employee benefits.
    - The per employee premium cost of the program has more than doubled over the past 15 years, and the per employee premium cost is currently 23 percent higher than the national average.