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MEMORANDUM

To: Brian Lawlor
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From: Terry Steczo
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Re: Legislative Report

Date: December 30, 2015

Little Progress

With the budget impasse not having reached month number six talks between legislative leaders and the Governor have amount to very little, meaning that any resolution early during the month of January is remote.

The legislative leaders and the Governor did meet three times during December. Since they had not all been in one room since May that had to be considered a positive. Little if any progress was made to resolve the stalemate but conversation, obviously, is a must if there ever will be an end to the deadlock. With holiday commitments creating a difficulty in establishing further December discussions the next joint meeting will be sometime after January 3, the date the Governor returns from an out of state trip.

In terms of the deadlock January 1 is critical date. From June 1 through December 31 a three-fifths majority was necessary to pass legislation and have it be effective immediately. The extra eleven House votes and six Senate votes necessary to approve what is bound to be a pretty comprehensive budget plan with taxes and cuts will not be easy to find ... especially when any deal will most certainly require the support of a substantial number of GOP legislators in each chamber. Simple majorities rule from January 1 until May 31 so if there is going to be any comprehensive deal that's the window of time, obviously the earlier the better.

During a speech at the City Club of Chicago, Speaker Madigan was asked about where he thought taxes should go as part of a final agreement. His suggestion was that discussions start at 5% (the level of the income tax before the temporary tax expired) and be adjusted up or down during negotiations. His comments set off a mini firestorm among Republican leaders who talked about "whopping increases with no reforms". Yet, everyone knows that taxes and cuts are going to be part of the final package. What was more telling was Madigan's state opposition to sales and services tax increases, indicating his preference for income taxes because "taxation ought to

be based on the ability to pay." The Governor, in addition to suggesting he could support an increase in the income tax in exchange for his "Turnaround Agenda" reforms, has also proposed increasing service or sales taxes on 30 various business services as a potential part of any agreement.

The General Assembly is scheduled to be back in session for two weeks in January. They will meet January 13 and 14, as well as January 27 and 28. The Governor is scheduled to give his State of the State speech on January 27. While there is almost little chance that some agreement will occur between now and the end of January, a big clue as to whether or not an agreement is in reach may be contained in the Governor's January 27 speech. If it is conciliatory and positive then it could point to progress in discussions and a light at the end of the proverbial tunnel. If it's negative and accusatory then the battle will go on ... and on.

Pensions: Good News and Bad News

There can be good news about pensions with a system that has incurred an unfunded liability of over \$100 billion, has missed pension payments and has borrowed to make other scheduled payments, and as recently as November has had to delay a scheduled payment? Actually, yes. Not big enough to throw a party and order a cake, but there may be some promising pension news on the horizon and it related to the annual payment increase that will be required next year to fund the system and keep it on track to be over 80% solvent by 2045.

Because of the odd payment schedule adopted by the legislature way back in 1994 smaller payments were required in the early years with a large series of payments scheduled further on into the cycle. From 1995 to 2011 the required system payments ranged from 2.9% to 5% of General Revenue Fund (GRF) resources. But then came 2012 where the "ramp schedule" went orbital and jacked up the required payment to over \$1 billion in new dollars every year. The GRF commitment rose from 5% to almost 25%, a huge hit for any state but almost paralyzing for a state like Illinois that is still struggling to stabilize after the recession.

The recently announced "good news" is that the state's contribution of new money to keep up with ramp payments will increase by only \$291 million for the next fiscal year. Yes, additional resources will be required, but far less than had been necessary during the last four or five years. The percentage of GRF won't decline and will stay at approximately 25%, meaning that unless some pension reform is enacted there will still be a struggle between making pension payments and funding other state government services, but if state resources grow and the state economy strengthens more can be allocated to places other than pensions.

Obviously, comprehensive, constitutional, pension reform that can trim hundreds of millions of dollars per year from required payments could be a godsend in terms of yearly resource allocation. But even some more minor tweaks such as extending the "ramp" by a few years thereby reducing yearly expenditures or other such ideas that have come to the fore during pension discussions and do not require court scrutiny could provide some additional welcome relief.

Questionable "Turnaround" Results on Redistricting Reform

During the recent televised portion of the December 1 Governor and leaders meeting the Governor used his allotted time to focus on three major issues as part of his "Turnaround Agenda": Remap reform, term limits, and local government collective bargaining reform. Term limits and collective bargaining have been debated in Illinois for years and citizens have had to opportunity to listed and form pro and con opinions. Remap reform, however, is more oblique. Every ten years horror stories and cries for reform emanate from the political party that doesn't draw the legislative and Congressional maps. The outcry and calls for reform have been the same regardless of which party is on the losing end. But an overriding question is whether or not reforming the system really makes a difference in competitive legislative election contests. Proponents, the party on the outs, will insist that maps drawn by an independent commission it will. Opponents, obviously, disagree. Who's right?

According to Ballotpedia there are currently six states that have created independent commission to draw legislative districts after the census: Alaska, Arizona, California, Idaho, Montana and Washington. Each state has their own method of making selections to the redistricting commissions but all disallow participation by legislators or other elected officials. Information from Alaska and Montana is incomplete but election results from the other four redistricting commission states suggests that the goal of additional competition is no guarantee and have resulted in very little change.

California: There were four competitive elections for the California State Assembly in 2012, compared to two in 2010. There were five mildly competitive state Assembly races in 2012, the same as in 2010. This amounted to a net gain of two competitive races.

Arizona: There were 10 competitive races for the Arizona House of Representatives in 2012, compared to seven in 2010. There were two mildly competitive races for the state House in 2012, compared to six in 2010. This amounted to a net loss of one competitive seat. There was one competitive race for the Arizona State Senate in 2012, compared to zero in 2010. There were three mildly competitive races for the state Senate in 2012, compared to two in 2010. This amounted to a net gain of two competitive seats.

Idaho: There were two competitive races for the Idaho State Senate in 2012, the same as in 2010. There were two mildly competitive state Senate elections in 2012, compared to three in 2010. This amounted to a net loss of one competitive election. There were four competitive races for the Idaho House of Representatives in 2012, compared to three in 2010. There were six mildly competitive state House elections in 2010, compared to five in 2010. This amounted to a net gain of two competitive elections.

Washington: There were seven competitive elections for the Washington House of Representatives in 2012, compared to 11 in 2010. There were nine mildly competitive state House races in 2012, compared to 11 in 2010. This amounted to a net loss of six competitive elections.

In each of the four states where data has been reviewed the additional number of competitive districts has been minimal so it appears that the simple creation of an independent commission will not create the vision that proponents subscribe to. When looking at the sum total of the four that has resulted in a net loss of two competitive seats it suggests that sometimes the cure may be worse than the disease.

Session Schedule/Deadline Dates

Here are relevant dates for the 2016 legislative session:

- January 13 - 2016 Legislative session begins
- January 27 – Governor’s State of the State Address
- February 17 – Governor’s Budget Message
- February 11 – House Bill Introduction Deadline
- February 19 – Senate Bill Introduction Deadline
- April 8 – House/Senate Committee Deadline
- March 21 – April 3 – Spring/Easter Recess
- April 22 – House/Senate 3rd Reading Deadline
- April 25 - May 1 - Passover Recess
- May 13 – House/Senate Committee Deadline (Bills from other chamber)
- May 27 – House/Senate 3rd Reading Deadline (Bills from other chamber)
- May 31 – Session Adjournment

Legislation of Interest

SB 32 – Sen. Morrison - Amends the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act. Provides that a person under 18 years of age shall not possess an alternative nicotine product. Establishes penalties. **(Status – Passed House; Senate - Concurrence)**

SB 1862 - Sen. Rose - Amends the Hospital Licensing Act. Requires hospitals to adopt, implement, periodically update, and submit to the Department of Public Health evidence-based protocols for the early recognition and treatment of patients with sepsis, severe sepsis, or septic shock that are based on generally accepted standards of care. Requires the protocols to contain certain components, including components specific to the identification, care, and treatment of adults and of children. Requires hospitals to submit the protocols to the Department no later than 6 months after the effective date of the amendatory Act. Provides that protocols shall be resubmitted at the request of the Department, but not more frequently than once every 2 years unless the Department identifies hospital-specific performance concerns. Requires hospitals to report certain sepsis-related data to the Department. **(Status – Senate – 3rd Reading)**

SB 1919 – Sen. Morrison/Rep. Evans - Amends the Cigarette Tax Act and the Tobacco Products Tax Act of 1995. Provides that a person who is both a licensed distributor and a licensed retailer shall be issued a single license number by the Department of Revenue. Provides that records may be kept electronically and may be kept at an out-of-state location so long as those records are made available upon reasonable notice for the purpose of investigation and control by the Department of Revenue. Amends the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act. In provisions that provide for increased penalties for retailers that do not have training programs, provides that those training programs may be conducted electronically. Provides that, if a retailer has a training program in place prior to the effective date of the amendatory Act, has a training program approved by another state, or follows the guidelines set forth by the federal Food and Drug Administration, then that training program shall be deemed to meet the minimum standards in this State. Effective January 1, 2016. **(Status – Passed Senate; House – 2nd Reading)**