Government Strategy Associates
4023 Terramere Avenue
Arlington Heights, Illinois 60004

M E M O R A N D U M

To: Brian Lawlor
Matt Kincaid

From: Terry Steczo
John Carr
Maureen Mulhall

Re: Legislative Report

Date: April 30, 2017

Legislation of Interest

- **House Bill 235** prohibits the sale or distribution of single or loose cigarettes that are not contained within a sealed container, pack, or package to persons who are 18 years of age or older. **Status: House – Re-referred to Rules Committee (Dead)**

- **House Bill 3208** raises the age for whom tobacco products, electronic cigarettes, and alternative nicotine products may be sold to and possessed by from at least 18 years of age to at least 21 years of age. **Status: House – Re-referred to Rules Committee (Dead)**

- **House Bill 3221** provides that no person shall smoke within 15 feet of any entrance to an enclosed or partially enclosed youth sporting event. Also provides that no person shall smoke within 250 feet of the field of play, including areas for spectators and participants, at a youth sporting event held in an outdoor setting. **Status: House – Re-referred to Rules Committee (Dead)**

- **House Bill 3388** - Requires a home medical equipment and services provider that provides or a pharmacist that dispenses pressurized oxygen or any oxygen delivery system to a patient to inform the municipal fire department or fire protection district that serves the patient of the patient's oxygen use in his or her home in case of a fire. **Status: House - Re-referred to Rules Committee (Dead)**

- **House Bill 3877** - Creates the Vapor Products Regulatory Act. Provides for the licensing and regulation of retail sellers of vapor pens and vapor products by the Department of Revenue. Provides that persons licensed as retailers under the Cigarette Tax Act need not obtain a license under this act to sell vapor products. Amends the Prevention of Tobacco Use by Minors and Sale and Distribution of Tobacco Products Act to exclude vapor products from the definition of "alternative nicotine product". **Status: House – 2nd Reading**

- **House Bill 3809** - requires that all tobacco and alternative nicotine products (rather than single packs of cigarettes and alternative nicotine products) must be sold from behind the counter or in an age restricted area or in a sealed display case. Provides that candy may not be displayed within 5 feet of a counter that has behind it any tobacco products. **Status: House – Re-referred to Rules Committee (Dead)**

- **Senate Bill 1221** - Prohibits operation of a motor vehicle while a person is smoking in the vehicle and a person under the age of 18 is present in the vehicle. Provides that police officers may not stop or detain a motor vehicle or its driver for violation or suspected violation of this Section. Makes a violation of this Section a petty offense with a fine not to exceed $100. **Status: Senate – Public Health Committee**

31 Days, Then What?

It's May. Do you know where your legislators are? Or what they have in mind to get Illinois out of its budget dilemma? There are 31 days left before the scheduled session adjournment and there is no budget solution in sight. There may have been a very slight ray of sunshine entering the dark, dank room when the Governor and Speaker met last week for the first time since December but the post-meeting comments reflected pretty much what's been said for the last two years … the Governor insisting on his agenda and the Speaker urging the Governor to focus on the budget first. In other words, no progress was made.

While the state's fiscal year doesn't begin until July 1 any legislation considered after May 31 will require a three-fifths majority. Obviously, that means that any legislation approved will require bipartisan support. It also means that if the Democratic majority decides to approve a budget prior to May 31 without GOP help and without a gubernatorial nod a veto will stand and, again, no progress will be made. The outlook, therefore, for anything positive occurring between now and the end of the fiscal year is pretty dismal, unless a bipartisan miracle occurs.

All of the above means that the state faces the real prospect of beginning FY 2018, once again, without a budget and faces the prospect of another year of climbing deficits and prolonged payment cycles. Last June the legislature and the Governor got together and agreed on a stopgap budget that covered FY 2016 and half of FY 2017. There has been no budget in place, then, since January 1. State programs covered by continuing appropriations or court decrees have not faced the pressures that higher education and human services organizations have. Over the last month bond ratings for public universities have been downgraded to almost junk status. Every week there are reports of human services providers closing their doors or discontinuing various services.

With the demise of the "grand bargain" and absence of any further serious budget negotiations the House two weeks ago concocted a plan to fund the missing half of FY 2017 budgets for state universities, community colleges and educational grants for low income student and for human services to the tune of $800 million. Funds would come from the Educational Assistance Funs

($559 million) and the Commitment to Human Services Fund ($258 million). These funds were created when the temporary income tax was increased. They are funded by a small fraction of the tax that did not expire two years ago. Each Fund continues to receive tax proceeds throughout the year that can't be spent for anything other than the purposes designated. This budget "lifeline," as it was being called during debate, was incorporated into House Bill 109 and approved by the House on a partisan vote. It now resides in the Senate.

At this point there is no telling what the Senate may do between now and the end of May or the end of the fiscal year. They're still hoping for a "Hail Mary" and a resuscitation of the "grand bargain" and are of the feeling that passing the "lifeline" may take the pressure off any further "grand bargain" discussions. However, they may have also decided to try to restart "grand bargain" talks by threatening to approve House Bill 109 unless there are broader budget talks. Senate leadership announced earlier last week that they would call House Bill 109 for a vote before they left town last Thursday. As the day approached they deferred to allow some time for some conversations to take place. If the delay bears any fruit it should be evident by the end of this week.

The Governor's Office has indicated that he would veto House Bill 109 should it reach his desk. Legislative Democrats remember a few times when the Governor made similar threats only to bow to pressure once critical funding legislation was presented to him. So as the critical month of May begins we may be faced with another game of "chicken" that could result in more fiscal trouble and tumult for Illinoisans.

Discombobulating

Are they or aren't they close to a "grand bargain"? Is a time for "hope" or a time for "nope"? With all of the conflicting comments that have been flying during the past month, trying to figure that or anything else, and with only four weeks left in the legislative session, is one for soothsayers and not mortal humans. Depending on who you have listened to during the past few weeks you get a picture of either roses or ragweed. The Governor, for example, took advantage of the two week April legislative break by traversing the state and emphatically indicating that a "grand bargain" is not only close but could be finalized within a few weeks. General Assembly members on the other hand, including some from both parties, did a double take when presented with those comments and responded that there haven't even been discussions let alone being on the precipice of a deal. Late last week there was a face-to-face meeting between the Speaker and the Governor. Of course, each side had a different spin on what was said, the Speaker saying that he urged the Governor to focus on the budget as he has done seven times during his tenure and not on non-budgetary items. And the Governor, on the other hand, indicating that the Speaker expressed some willingness to compromise on some of the Governor's policy demands. So, where are we really?

In order to try to determine which side of reality we actually are its most likely that actions speak louder than words. And the actions of the principals over the last few weeks, and months, certainly point in one direction, And not a promising one.

Working backwards, you certainly do have the Governor's pronouncements about a deal being imminent. That could be a plus. However, as he was heralding the possibility of a bargain his campaign was broadcasting hundreds of thousands of dollars worth of ads that certainly could be characterized as re-election ads, hyping the Rauner plan similar to that of 2014 – property tax freeze, spending caps, term limits, etcetera and lambasting Springfield "politicians" and their "duct tape" solutions. While it may be hard to argue some of these points it also creates a less that desirable environment to negotiate should there actually be any ongoing discussions occurring.

One of the characteristics of Governor Rauner that continually raises eyebrows and why observers question whether he actually wants a compromise is the way that he begins to sling arrows at his "negotiating partners" every time there is some movement on some issues. If you'll recall times when he would occasionally call meetings with the legislative leadership, they were generally almost always preceded with some verbal barrage questioning the integrity of the Speaker and Senate President. That certainly doesn't set the stage for productive talks, either in the business or in the government worlds. The same type of verbal chastising by way of broadcast ads is happening once again with only a month left in the regularly scheduled session, a time period where final deals are reached.

Late last week it was reported that the Governor's suggestion that a deal might be near was based upon conversations he has had with Sen. Radogno and not more broadly based conversations or negotiations. Apparently, they may be close to being unified on a plan. But, President Cullerton has indicated that any changes in the "bargain" pieces would require more GOP votes on final passage because his caucus has given as much as they can. That may not be useful in the long run when it comes to raising revenue. GOP feel about tax increases the same way Dracula feels about garlic. So the question still remains as to whether or not this latest gambit is a serious effort.

Harkening back to February there is another clue that may be helpful in determining the possible fate of any budget agreement. In mid-February and then again in late February the "grand bargain" put together during ten weeks of negotiations between Senate President John Cullerton and Senate Minority Leader Christine Radogno was almost ready for show time. According to many involved in the discussions Minority Leader Radogno had between eight and thirteen votes committed to all or some of the package of twelve bills comprising the package. Curiously, the day before the voting was to begin GOP votes began to disappear after those members were invited into the Governor's office for a "discussion". To say the least, Radogno was not happy.

Looking for other "clues" the $50 million pre-Christmas personal contribution the Governor made to his campaign account and other such moves could be mentioned so it certainly appears that an arrow of disinterest in seeking a compromise points in the Governor's direction.

That's not to say, of course, that the other side is blameless in the process, or lack thereof, over the past two years. They have tried to use the fracas to consolidate their political bases by reacting to the Governor's proposals with counterproposals that they know would be vetoed, etc. In fact, looking at the deep chasm that exists and has existed for the past two years makes it a wonder that the stopgap budget approved last year even got to first base. And it appears that if there is any hope of anything happening that is even remotely positive between now and January, 2019 it's going to be, unfortunately, along the lines of "stopgap" rather than "bargain".

<u>Not Very Healthy</u>

Early in April the Commission on Government Finance and Accountability (COGFA) released a study of the State Employees Group Health Insurance Program. The relevance is that in terms of the state's growing debt load the State Employees Group Health Insurance Program represents one-third of the current $12 billion total. According to COGFA, as of the end of February the amount of claims on hand was $4.2 billion with $200 million in new claims arriving every month. Not only that, but you'll recall that when the stopgap budget was approved last year the appropriation for the State Employees Group Health Insurance Program was ***zero***. That's right, nothing.

As a result, it's not too difficult to imagine the burgeoning delays in processing claims. The COGFA report show a payment cycle for health insurance claims to be between 615 and 692 days, over 1.5 years. Managed care claim payment cycles span between 12 to 29 months; Prescriptions up to 529 days; and dental claims from 220 to 383 days.

Not only does this situation impact those who are served by the Program but the inability of all medical providers to collect fees for their services in a timely manner has an impact far beyond that program sphere itself.

Session Schedule/Deadline Dates

Here are relevant dates for the 2017 legislative session:

- May 12 - Senate Committee Deadline - House Bills
- May 19 - House Committee Deadline - Senate Bills
- May 26 - 3rd Reading Deadline - House and Senate
- May 31 - Adjournment