March 2009
Illinois Senate Republicans

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Illinois Senate Committee on Deficit Reduction
Committee on Deficit Reduction:
Senate Republican Member Report

“. . . responsible legislators must insist on stopping the growth of spending; and insist on a comprehensive review of all state government program expenditures, while rolling back the over-reaches of past administrations. . . . It is unacceptable for legislative leaders not to permit, encourage and in fact require a comprehensive evaluation of state program spending.”
- Tooling and Manufacturing Association of Illinois

The Senate Committee on Deficit Reduction recently concluded its scheduled public hearings. Representatives of various organizations, think tanks, special interests and professions were invited to provide written and oral testimony on ideas and methods by which Illinois might best address its current and significant deficit.

The Senate Republican members set out to answer three basic questions during the course of Committee’s work: How did Illinois get here? How do we get Illinois out of this mess? How do we avoid Illinois ever being in this situation again?

The cost savings presented and the ideas and initiatives illustrated in this report are all taken directly from testimony provided by the many varied organizations appearing before the Senate Committee on Deficit Reduction.

It was evident early in this process that, while the Committee was established as a bi-partisan panel, the work of the Committee would likely remain to be drawn along party lines, evidenced by the witnesses invited to participate by the Democrat and Republican members of the Committee.

The work of the Committee was divided into 4 separate hearings, with each meeting dedicated to a specific and pre-defined area of interest. Hearings were held on the topics of Education, Healthcare, Pensions and Revenues. Each week, the Committee accepted written and oral testimony from specific interests.

This Report is submitted by the Republican members of the Senate Committee on Deficit Reduction, and outlines the many organizations and professionals providing testimony before the Committee and the innovative ideas presented. The Senate Republicans believe these initiatives and resourceful ideas must be considered further in an effort to effectively and efficiently address the financial deficit which has been created for Illinois.

The Senate Republican members of the Committee believe many of the proposals heard before the Deficit Reduction Committee represent a solid foundation for the type of cost savings, reforms and government efficiencies that must be considered before Illinois taxpayers are asked to pay more for their state government. Again, the ideas and initiatives presented in the following pages were presented in testimony.

Further detail for the initiatives cited within this report can be found in the final record of the Senate Committee on Deficit Reduction at:
The Budget Deficit – Understanding How We Got Here

As the Committee embarked on its work to hear ideas from interested parties about how to reduce the state’s budget deficit, the Republican members of the Committee stressed that any discussion of how to solve the important issue of the budget deficit Illinois faces must begin with an understanding of how we find ourselves in this position.

Clearly, the impact of a national economic downturn has contributed to the fiscal problems in which Illinois finds itself today. But it is the opinion of the Republican members of the Committee on Deficit Reduction that the national economy is not the sole reason, nor even necessarily the predominant reason for our troubles. Senate Republicans have long warned a day of reckoning for Illinois’ budget was coming because we understood the negative impact of the ill-advised fiscal policies that were being implemented in this state, over our objections.

The national economy simply helped reveal that the problem, which has been created over a five year period, is so dire that it can no longer be concealed with budget gimmicks and tricks that have been used to paper over the deficit for the last five years. The severity of the problem Illinois faces today is the result of poor, near incompetent, fiscal management by the Executive and legislative branches of government.

Since January of 2003, Illinois government has been a system of one party rule. Virtually every major office in state government, including both Houses of the legislature, has been controlled by one party – the Illinois Democrat Party.

There has been a lot of discussion about the national economy and the decline in state tax revenue that is projected for this year. But what has been left out of this discussion is the fact there has not been a shortage of state revenue over the last several years. In fact, over the last five years (Fiscal 2003 through Fiscal 2008), Illinois taxpayers have provided the State of Illinois almost $7 Billion in revenue growth.
In FY 2008 Illinois taxpayers sent more money to the State of Illinois than in any year previous. There clearly has not been a shortage of revenues for the State of Illinois.

This revenue growth was not managed wisely to prepare for the next inevitable economic downturn. It was all spent, and in fact, much more than this additional revenue has been spent. While revenue was increasing by approximately 33%, spending was mushrooming at more than double the rate of inflation.

The last time the state general funds budget was reduced was in 2002 when Republicans controlled the Governor’s office and the Illinois Senate. In that year, facing a fiscal problem after the 9-11 attacks, the state budget was reduced by over $1 Billion. Since then, state general funds appropriations have been increased each and every year.
We need to further examine some of the fiscal facts for the State from the last several years to better understand what has happened in Illinois:

- The Illinois State Budget has not been reduced since one party took control of Illinois Government in 2003 – it has increased every year. Even this year, despite all the tough talk of budget cuts and the Governor’s admonishment that we need to take a dose of “castor oil”, Governor Quinn’s first budget proposal for the next fiscal year still increases State spending. Again, despite all the rhetoric, the Governor’s FY10 proposed budget increases spending.

- Governor Blagojevich, with assistance from the Democrat-controlled legislature, created many new programs and expanded existing ones. Simply stated as fact, almost 1 million people have been added to the Medicaid program in the last decade – a 70% increase in the number of people in that program.

- The new spending programs were funded with many short term gimmicks, including raiding the pension systems, borrowing, extending payment cycles, raiding special state funds and selling state assets.

- Taxes and fees on Illinois businesses were also increased, including the elimination of many tax incentives for Illinois employers and a huge increase in trucking fees. We also note, as a matter of economics, when businesses are required to pay higher fees and taxes, these costs are passed onto consumers through higher product and service prices.

The Senate Republicans have continually warned that funding fixed operational costs of government with one-time revenues and budget gimmicks would lead to a future budgetary cliff that would result in an otherwise avoidable discussion of higher taxes for Illinois.

Just last year, because they refused to make the tough fiscal decisions needed, the Democrats of the Illinois General Assembly passed a State budget that admittedly spent $2 Billion more than the revenues then-available, and they entrusted Governor Blagojevich to manage the overspending to make it all balance. Predictably, he didn’t.

Almost all of the major fiscal policies and State budgets implemented by Governor Blagojevich over the last six years were supported by Democrats and opposed by Republicans. Legislative Democrats enabled former Governor Blagojevich by supporting his budgets and policies and helped create the budget problem we face today.

This section of the report is not designed to simply assign blame for the sake of assigning blame. Understanding the types of policies and management practices that have put Illinois taxpayers in such a dire deficit is an important function to avoiding the same catastrophic mistakes again. And holding Illinois lawmakers and policymakers accountable for decisions that ultimately affect the State’s taxpayers is a necessary element of this process, as well.

“. . . cutting spending and limiting future liabilities is the only fiscally responsible option that will shore up the State’s precarious fiscal situation.” - The Civic Federation
State’s Fiscal Condition Today

Budget Deficit – estimated by the Comptroller at $9 Billion. The deficit figure is debatable, but it is not debatable that Illinois has a budget deficit, in part, because of several years of fiscal mismanagement and a failure to plan for a rainy day.

Pension Systems in Trouble - we have the worst funded pension systems in the nation, with unfunded liabilities currently estimated at a whopping $73 Billion. Unfunded liabilities have risen by almost 70% since 2003.

Debt Way Up - the state’s outstanding bond debt has more than doubled since 2003. Debt now stands at $20 Billion, up from $8 Billion in 2003.
When combining the state’s outstanding bond debt with the unfunded liabilities of the pension systems, the State’s outstanding long term obligations total over $90 Billion. That’s about $7,000 for each and every man, woman and child in Illinois; or $28,000 for every family of four.

![Outstanding Long-Term Obligations](chart.png)

Long-Term obligations have more than quadrupled over the last 9 years.

**Record Levels of Unpaid Bills** – the State’s backlog of unpaid bills is at an all-time high. Medical providers, and others doing business with the State, wait months to get paid. Some Illinois vendors have actually been forced to close their doors waiting for the State to pay.

![Backlog of Unpaid Bills](chart.png)

The substantial increase in the backlog of unpaid bills is a clear sign that the State of Illinois has continued to spend more than it takes in over the last few years.
**Infrastructure in Disrepair** – despite various attempts, dysfunction among the State’s Democrat leaders has prevented the passage of a much needed capital bill. Several proposals with different revenue sources have passed partially through the process but no agreement has ever been found. No new school construction bonding has been approved since Democrats took control in 2003.

**Job Losses** – Illinois ranks 46th in the nation in job growth since the Democrats took over in January of 2003 and we have lost almost 70,000 jobs during that time. Our great state is one of only 7 states in the nation with fewer jobs today than we had 10 years ago.

**Taxpayers in Jeopardy** – Many of the State’s Democrat leaders are now talking about major increases in the state’s income tax, cigarette tax and gas tax.

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**Legislative Democrats Supported Blagojevich’s Fiscal Policies – And Want Illinois Taxpayers to Continue Funding Them** -
How Does Illinois Get Out of This Budgetary Mess?

Testimony before the Committee

“New program initiatives are unaffordable and imprudent during an economic downturn and will only increase the State’s inability to meet its existing obligations. Raising broad-based taxes in a recession to close a budget deficit would be counterproductive and could further exacerbate the ill effects of the recession. Therefore, the State should consider freezing spending at FY09 levels or reducing spending from previous levels.” – The Civic Federation

The Senate Committee on Deficit Reduction heard testimony from 37 different organizations, groups and interests, with few appearing more than once with respect to the various subject matters examined by the Committee. Those invited to participate in the discussions of the Committee on Deficit Reduction by the Senate Republican members of the Committee included professionals, public policy advisors, interest groups and associations from throughout Illinois.

As previously stated, the work of the Committee on Deficit Reduction was divided into four separate hearings, covering Education, State Funded Healthcare, Pensions and State Revenues & Tax Policies. This Section outlines the varied organizations and interests invited to provide testimony by the Senate Republican members of the Committee, and focuses on the thoughts and initiatives they imparted to the Committee.

Education

Illinois Network of Charter Schools
The Illinois Network of Charter Schools brings together students, parents, educators and administrators who all share a common goal: to improve the quality of public education by promoting and strengthening charter schools throughout the State of Illinois. There are currently 39 charters in the state, serving more than 32,000 Illinois children at 76 campuses.

Illinois Policy Institute
The Illinois Policy Institute is a nonpartisan research organization dedicated to supporting free market principles and liberty-based public policy initiatives for a better Illinois. As a leading voice for economic liberty and government accountability, it engages policy makers, opinion leaders, and citizens on the state and local level.

Americans for Prosperity
Americans for Prosperity is committed to educating citizens about economic policy and mobilizing those citizens as advocates in the public policy process. Americans for Prosperity is an organization of grassroots leaders who engage citizens in the name of limited government and free markets on the local, state and federal levels. Their grassroots members advocate for public policies that champion the principles of entrepreneurship and fiscal and regulatory restraint.

The Civic Committee of the Commercial Club of Chicago
The Civic Committee is the civic arm of The Commercial Club of Chicago, which is one of the oldest organizations representing the business, professional, educational and cultural leaders of the Chicago region. The Civic Committee is comprised of senior executives in the Chicago region's leading institutions and is dedicated to improving Chicago and Illinois, at large, as a place to live, work, and conduct business.
When appearing before the Committee, the Illinois Association of School Administrators provided a 5 ½ page list of statutory mandates the state has imposed on local school districts since 1992. These mandates range from requiring school districts to create and maintain a policy on bullying, with policy updates to be filed every 2 years with the State Board of Education [PA 95-0348]; to requiring school districts to use 2% bio-diesel fuel [PA 94-0346]; to requiring schools maintain a registry of parents who want to be notified before pesticides are applied to school grounds [PA 91-0099].

While well intentioned in many respects, mandates cost school districts resources. When singly imposed they don’t mean much to the overall cost of education in Illinois, but 5 ½ pages of mandates add up, and quickly. Limiting the number of new mandates and reviewing the actual benefit of current mandates placed upon our local school districts is necessary to freeing desperately needed resources for our public schools. Money now required to administer and fully comply with these mandates might actually be better spent in the classroom educating our children, allowing local dollars to be spent on direct education expenses, easing the need for additional State resources for education.

Americans for Prosperity highlighted the fact there is often denouncement of federal earmarks or special project funds included in the federal budget process. Illinois has a similar problem which continues to exist with little notice. Much of the State’s special and specific spending initiatives included in every State budget, often referred to as member initiatives, have no open debate or public justification for the taxpayer funds spent.

Americans for Prosperity cited specific examples of the $11.9 million in taxpayer funds included in the State’s FY07 budget which was given to 100 non-profit organizations, many of which never filed a grant application or were subject to any type of credentialing before receiving these FY07 state education funds:
- A Senator’s sister was given $25,000 to run a drama program for 4 students;
- A Chicago woman and her son received $30,000 to teach 12-20 students a Hip-Hop exercise class at a shopping mall; and
- A religious organization received $30,000 to conduct an arts program at an elementary school, but never did. But rather, 2 group members patrolled the school lunchroom.

### Education Savings Identified

<table>
<thead>
<tr>
<th>Item</th>
<th>1-Year Savings</th>
<th>5-Year Savings</th>
<th>Detail</th>
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<tbody>
<tr>
<td>Raise the cap on Charter Schools</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td>Charter Schools are more cost effective, produce better test scores and more HS graduates. Raising the cap on Charter Schools introduces competition into the public school arena and gives parents choices. The Illinois Policy Institute estimates that current charter schools have already saved the State as much as $200 million.</td>
</tr>
<tr>
<td>Limit, or impose moratorium on new mandates, and repeal obsolete mandates on local school districts</td>
<td>Unspecified Savings</td>
<td>Potentially millions in savings to schools</td>
<td>Fiscal constraint shown before new mandates imposed by State. Hundreds of unfunded mandates on local school districts should be set aside unless absolutely necessary; allowing more local control and freeing local resources, lessening pressure for more State funding.</td>
</tr>
</tbody>
</table>
State-Funded Healthcare

Harmony Health Plan
Harmony Health Plan is a licensed Illinois health maintenance organization which provides HMO coverage for a limited number of Illinois Medicaid recipients. Harmony Health Plan’s contracted provider network consists of 58 hospitals, 951 primary care physicians and 3,490 specialists. On average a Harmony member has immediate access to 35 acute care facilities, 15 trauma centers, 29 rehabilitation centers and 7 neonatal ICU level III centers.

The Civic Committee of the Commercial Club of Chicago
The Civic Committee is the civic arm of The Commercial Club of Chicago, which is one of the oldest organizations representing the business, professional, educational and cultural leaders of the Chicago region. The Civic Committee is comprised of senior executives in the Chicago region's leading institutions and is dedicated to improving Chicago and Illinois, at large, as a place to live, work, and conduct business.

Lucas Group
The Lucas Group is a boutique corporate strategy consulting firm dedicated to helping clients achieve extraordinary results - as measured by significant improvements in profits, accelerated revenue growth, cost savings, cash flow, efficiencies - and ultimately - enterprise value. Their Government Solutions team has Medicaid experts who have delivered results in moving Medicaid to sustainable growth paths, while at the same time improving the quality of care through Medicaid system efficiencies and Medicaid program transformations.

Illinois State Dental Society
Since 1865, the Illinois State Dental Society has represented the interests of the dental profession and the patients they serve. Nearly a century and a half later, ISDS members continue to not only represent organized dentistry, but also ensure that the highest quality dental care is provided to the public.

Many of the suggested cost saving actions presented at the Healthcare hearing dealt with the State’s Medicaid program. Republican members acknowledge that some of the actions recommended in testimony, if implemented, may put federal stimulus dollars at risk in the short term and that is a factor that should be seriously considered as these ideas are explored. The federal stimulus dollars that are being used to pay down the backlog of unpaid bills should not be put in jeopardy. Paying off the backlog of unpaid bills is, and has been, a high priority for Senate Republicans.

However, Senate Republicans would also note that the State’s Medicaid program is now the single largest program in state government, requiring more resources than any other, including education. The program grows at an average annual rate of 7% to 10% which is unsustainable. Unless something is done to curb the growth trend in this program, Medicaid will continue to put pressure on the state budget for years to come and cannibalize resources from other important priorities.
The Illinois State Dental Society cited, enrollment in the State’s Medicaid program has expanded 50% in just the past 5 years from 1.6 million participants in FY03 to 2.4 million in FY08: 800,000 additional individuals added to an already over-burdened system does not expand quality healthcare to the uninsured in Illinois.

Despite the costly expansions of Medicaid in Illinois, the uninsured rate in the State has dropped by just 0.2%. Governor Blagojevich’s failed expansions added $3 billion to our deficit and actually has reduced access to healthcare for the poor and disabled because the State is not paying its bills.

### State-Funded Healthcare Savings Identified

<table>
<thead>
<tr>
<th>Item</th>
<th>1-Year</th>
<th>5-Year</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Global Waiver</td>
<td>$435 million</td>
<td>$2.9 Billion</td>
<td>Lucas Group suggests designing strategic plan encompassing all existing waivers and state plans under one demonstration waiver, bringing an additional $435 million in net savings to the state in additional federal match, mostly for costs not currently matched. Also gives State more flexibility implementing programs.</td>
</tr>
<tr>
<td>Medicaid Acute Care</td>
<td>$130 million</td>
<td>$865 million</td>
<td>Lucas Group estimates net savings of $130 million per year in Emergency Room expenses; much of which could also be realized through implementation of the Lewin Report.</td>
</tr>
<tr>
<td>Rebalancing Long-Term Care - Medicaid</td>
<td>$110 million</td>
<td>$730 million</td>
<td>Lucas Group estimates net savings of $110 million through increased community placements, nursing home diverson and transition efforts, build capacity for shared and independent living models.</td>
</tr>
<tr>
<td>Medicaid Pharmacy Cost Containment</td>
<td>$110 million</td>
<td>$730 million</td>
<td>Lucas Group estimates net savings of $110 million through more aggressive and consolidated pharmacy benefit management, better managed drug utilization and higher co-pays to incentivize proper use.</td>
</tr>
<tr>
<td>Shared Living Developmental Disabilities</td>
<td>$ 75 million</td>
<td>$500 million</td>
<td>Lucas Group estimates net savings of $75 million through increased shared living arrangements, reduced reliance on institutional care and enhanced training to ensure quality.</td>
</tr>
<tr>
<td>Medicaid Determination of Eligibility</td>
<td>$120 million</td>
<td>$800 million</td>
<td>Lucas Group suggests Private-Public Partnership to hand off determination of benefits eligibility to private partner. Could save $120 million net. Savings garnered through operational and capital costs assumed by private partner, avoided federal fines and increased prevention and detection of fraud.</td>
</tr>
<tr>
<td>Medicaid Vendor Management</td>
<td>$300 million</td>
<td>$2 Billion</td>
<td>Lucas Group assumes net savings estimate $300 million through improved vendor management techniques.</td>
</tr>
<tr>
<td>State Employee Group Insurance Retiree Healthcare</td>
<td>$1.1 Billion</td>
<td>$6.7 Billion</td>
<td>Civic Committee - State could save $1.1 Billion annually by extending to 30 years and not allowing retirees to begin receiving health insurance benefit until age 65. State should follow CTA model and move to fixed contribution and use trust fund that requires retirees to contribute significant share of cost.</td>
</tr>
<tr>
<td>Purchasing and Contracting</td>
<td>$400 million</td>
<td>$2.2 Billion</td>
<td>Civic Committee - State could save $400 million in 1st year by enhancing and improving reliance on information technology, improve vendor and contract management, accelerate consolidation of human resources departments, and improve processing and monitoring of benefits eligibility.</td>
</tr>
</tbody>
</table>
Pensions

The Civic Committee of the Commercial Club of Chicago
The Civic Committee is the civic arm of The Commercial Club of Chicago, which is one of the oldest organizations representing the business, professional, educational and cultural leaders of the Chicago region. The Civic Committee is comprised of senior executives in the Chicago region's leading institutions and is dedicated to improving Chicago and Illinois, at large, as a place to live, work, and conduct business.

The Civic Federation
The Civic Federation is a non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region. The Federation’s membership includes business and professional leaders from a wide range of Chicago-area companies and institutions. The Federation maintains a growing archive of studies and publications concerning local tax policies, government services, and public expenditures.

State Pension Savings Identified

<table>
<thead>
<tr>
<th>Item</th>
<th>1-Year Savings</th>
<th>5-Year Savings</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Benefit Reforms: New Hires</td>
<td>Unspecified</td>
<td>Unspecified</td>
<td>Lower-tier benefits for newly hired members proposed by Civic Committee and Civic Federation and supported by Taxpayers Federation. CGFA actuary is now calculating savings and has no estimates.</td>
</tr>
<tr>
<td>Higher Contributions: from System Members</td>
<td>$350 million</td>
<td>$1.9 Billion</td>
<td>Higher contributions required of all current members of the 5 State-funded systems (State Employees, Judges, General Assembly, Teachers (downstate/suburban) and State Universities (all public university and community college staff and faculty). Under funding formula, additional contributions will result in some reduction in payments due from State, but less than dollar-for-dollar reduction. CGFA's actuary is now calculating savings from Governor's proposal to increase contributions and other reforms. This projected savings is based on Governor's 2% proposal; Civic Committee and Civic Federation cited 1% to 3% increases.</td>
</tr>
</tbody>
</table>
State Revenues & Tax Policy

Dr. Barry Poulson – Advisor to ALEC Task Force on Tax & Fiscal Policy
Barry W. Poulson is Professor of Economics at the University of Colorado. He has been a Visiting Professor at several Universities including, Universidad Autonomo De Guadalajara, Mexico; University of North Carolina; Cambridge University; Konan University, Kobe Japan; and Universidad Carlos Tercera, Madrid, Spain.

Dr. Poulson appeared before the Committee in his capacity as an Advisor to the Task Force on Tax and Fiscal Policy of the American Legislative Exchange Council, discussing his career study of limiting government spending and better utilizing revenue growth.

National Federation of Independent Businesses (NFIB)
Mr. Zach Hoffman, Vice President Operations & Finance, Wiley Office Furniture
The National Federation of Independent Business (NFIB) is a leading business association representing small and independent businesses. A nonprofit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its members in Washington and all 50 state capitals.

For the last 28 years, Wiley Office Furniture, Springfield, Illinois, has provided superior service and office furniture products to the citizens and companies of central Illinois, and is a vendor to the State of Illinois.

Illinois State Chamber of Commerce
The Illinois Chamber is the state's oldest, largest broad-based business advocacy group. The Chamber continually strives to bring together members from every part of the state, every type of business or industry with diverse points of view on many issues, constantly working to improve Illinois' business climate.

Tooling and Manufacturing Association of Illinois
The Tooling & Manufacturing Association was founded in 1925 by 8 small manufacturing companies who thought they could better themselves by associating with one another. Through the years, members established programs and services that would help their businesses grow and prosper, train their employees, and provide medical and retirement benefits. As a result of these efforts, TMA has grown into a 1,250 member not-for-profit organization of precision manufacturing and supplier companies in the greater Chicago area.

Associated Builders and Contractors of Illinois
The Illinois Chapter of the Associated Builders and Contractors, established in 1975, is one of 80 chapters of the national Associated Builders and Contractors, Inc. The Illinois Chapter is a construction trade association representing over 400 member companies involved in the commercial and industrial construction markets in Illinois.
## Revenues & Tax Policy Savings Identified

<table>
<thead>
<tr>
<th>Item</th>
<th>1-Year Savings</th>
<th>5-Year Savings</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing and Contracting</td>
<td>$400 million</td>
<td>$2.2 Billion</td>
<td>Civic Committee proposes that we could save $400 million in the first year by enhancing and improving reliance on information technology, improve vendor and contract management, accelerate consolidation of various human resources departments, and improve processing and monitoring of benefits eligibility.</td>
</tr>
<tr>
<td>Reduce/cap funds to Local governments</td>
<td>$250 million</td>
<td>$1.25 Billion</td>
<td>Reduce/cap revenue sharing and grants to Local governments - Civic Committee</td>
</tr>
</tbody>
</table>
There are other relevant facts presented that must first be reviewed, such as the Governor’s proposed 50% income tax increase necessary to continue paying for the failed fiscal policies implemented by former Governor Blagojevich.

Largest Tax Increase in Illinois History
As the following chart indicates, the Governor’s 50% income tax increase represents the largest tax hike in the history of the state.

In terms of revenue raised, the Governor’s tax increase is three times larger than any other major tax increase in Illinois history.

When all FY10 tax and fee increases are taken into account, the Governor is proposing over $4 Billion in new taxes while still increasing the size of the State’s budget.

Jobs
Illinois ranks 46th in the nation in job growth since the Democrats took control of state government in January of 2003. Illinois has lost 206,000 jobs over the last year alone. The state’s unemployment rate increased to 8.6% in February, up from the January rate of 7.8 percent. This is the largest over-the-month increase in the unemployment rate on record. The state’s current unemployment rate eclipses the national rate of 8.1% and is at its highest point in over 17 years.
Many of the witnesses appearing before the Committee recited the same theme: **there couldn’t be a worse time to increase taxes in Illinois.** And, the Governors of our neighboring states know it. Governor Mitch Daniels of Indiana was recently quoted as saying “*Next door in Illinois, they are facing the biggest tax increase in state history. It’s going to drive jobs across the line in Indiana, I guarantee it.*”

The Tax Foundation suggests “*Illinois would have the fourth highest state corporate income tax rate in the nation under Governor Quinn’s plan. Corporate tax burdens are ultimately borne by individuals, as businesses pass these costs onto their employees, customers and shareholders. This plan would raise the cost of doing business and creating jobs in Illinois.*” The Tax Foundation is a nonpartisan, nonprofit organization that has been in existence since 1937.

The following chart demonstrates the dramatic job loss Illinois has suffered over the last year:

![Chart showing job loss in Illinois]

Illinois hasn’t experienced an over-the-month increase in jobs in more than a year, and the tax policies currently being proposed by the Democrats will only worsen this trend.
While a majority of other states have benefited from an expansion of their workforce over the last decade, Illinois is one of **only seven states** with fewer jobs today than it had 10 years ago:

<table>
<thead>
<tr>
<th>States with Job Losses over the Last 10 Years</th>
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</thead>
<tbody>
<tr>
<td>MI</td>
</tr>
<tr>
<td>(329,700)</td>
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</tbody>
</table>

If Illinois had grown at the national average of 6.5% over the last ten years, the State would have 540,000 additional jobs than we do today. These additional jobs would have translated into an additional $2.1 Billion in annual tax revenues to the State. If Illinois had been the 4th highest state in job growth, rather than the 4th worst over the same 10 year period, Illinois would have 1.2 million more jobs and an additional $4.8 billion in annual state revenues.

The manufacturing sector in Illinois has been hit especially hard over the last ten years, losing 275,000 jobs since February of 1999. This industry experienced a loss of 16,400 jobs in just the last month alone.

Illinois has lost nearly one-third of its manufacturing jobs since February 1999.
Need for a Capital Program
Many of the witnesses appearing before the Committee on Deficit Reduction cited the economic principle that the best way for a government to find its way out of the grips of a recession is simply to grow its way out. Many of the same witnesses offering this sage advice also admonished the members of the Illinois General Assembly to immediately initiate a Capital Spending Plan for the State of Illinois.

The Republican members of the Committee on Deficit Reduction embrace the previously announced plan from Illinois Republicans to act and act now on a State capital spending plan, in an effort to put our residents back to work, to rebuild the State’s too-long ignored infrastructure needs, and to grow our way out of the deficit; rather than taxing the hard working men and women of Illinois.

A Construction Program without a Tax Increase
Senate Republicans have consistently voted for construction programs with responsible revenue sources. This spring, we have a plan to put tens of thousands of Illinoisans to work improving our roads, schools and transit systems:

- **Without** relying on an income tax increase;
- **Without** increasing the gas tax;
- **Without** imposing fee increases; and
- **Without** draining the Road Fund to pay for bonding.

The Illinois Republican $25 Billion capital plan relies on two funding sources:
- **Restoring monies now being drained from the Road Fund.** The Road Fund gets its money primarily from taxes that drivers pay at the gas pump. Yet $700 million a year in gas taxes paid by drivers is being siphoned by the State’s General Revenue Fund (GRF) to pay for other programs. We end this siphoning and re-dedicate the use of the Road Fund to transportation projects with a constitutional amendment.
- Recognizing that restoring the Road Fund opens a $700 million hole in GRF, **we have proposed expanded gaming in Illinois** to replace these GRF revenues and create new revenues for non-transportation construction projects such as school construction.

Expanded Gaming Options
Expanded gaming options that should be considered by the General Assembly to fund a capital program include:

- Additional gaming positions at existing riverboat locations;
- A new Chicago casino;
- Slot machines at racetracks;
- Video poker; and
- Professional management of the Illinois Lottery.

**Just Some Options are Needed.** While not all Senate Republicans support all these options, we are offering a menu of gaming options that bring in substantial “voluntary tax” revenues, while at the same time creating job opportunities in construction and operations of expanded gaming.
All together, these options would bring in an estimated $1.5 Billion a year. To restore the Road Fund and fund other capital projects, we need just $1 Billion a year, so not all these options must be pursued. A total of $1 Billion a year will support $10-12 Billion in new State bonds, which together with federal funding and local matches will fund a $25 Billion, multi-year program.

**No One-Time Revenues.** To be fiscally responsible, Senate Republicans are not counting on any one-time revenues such as initial gaming license fees to support our construction plan or the State’s operating budget. In the past, estimates of one-time fees and the timing of those fees have been unreliable. For example, the current budget year deficit includes a $575 million hole due to the over-optimistic projection of a one-time fee from the 10th casino licensee. We will not rely on one-time fees for our plan, but welcome the chance to add to our construction program if and when one-time fees are actually realized. Once expanded gaming is up and running, bonds should be sold only as these ongoing revenues are fully developed. As the economy improves and bonds are paid off, the State should look to roll back some of this expansion of gambling.

**Transparency and Accountability**
Illinois citizens expect that if their State government is spending a $1 Billion a year for long-term infrastructure improvements, the spending will be done fairly and with transparency. While Senate Republicans have much greater trust in Governor Quinn than Governor Blagojevich, no long-term plans should rely on a single person. Citizens would be assured of a transparent and accountable program.

**Immediate Action Required**
The Governor and legislators should act as quickly as possible to approve a capital plan, so we don’t miss another construction season. We need to get people to work immediately. Expansion of gambling can be a complex issue, and a quick resolution will take leadership from the Governor. Unfortunately, since his inauguration, Governor Quinn has not called a single meeting of all four legislative leaders to discuss capital or any other issue. He apparently has been meeting regularly with the two Democratic leaders, but a quick and sizable capital plan will require bipartisan efforts. Senate Republicans stand ready to work with all caucuses and the Governor, at any time or place, to enact a capital plan immediately.
How Do We Avoid Repeating These Past Mistakes?

**Spending Limits & Budget Reforms**

Dr. Barry Poulson talked extensively about the State’s need to not only better utilize state revenues, but also the need for Illinois to better control unabashed spending. He explained the tenets of TABOR, or the Taxpayer Bill of Rights initiative which Colorado and 31 other states in the nation have embraced as a means to control state-spending and to be fiscally sound to better weather the inevitable economic downturns.

Professor Poulson cited, “There is a simple explanation for the unprecedented increase in state and local tax burdens in recent years, it is unconstrained growth in spending. State and local spending tends to ratchet up from one business cycle to the next. In periods of rapid growth tax revenues increase more rapidly than personal income. State and local officials spend every dime they get their hands on, increasing spending to match the increased revenue. In periods of recession and revenue shortfall it is very difficult to sustain that higher level of spending. There is pressure to raise taxes and fees and issue more debt in order to sustain the higher level of spending. In this way the tax burden ratchets up from one business cycle to the next.”

His words aptly describe exactly what has happened here in Illinois: unconstrained spending has created current pressures to raise taxes and fees and to issue even more debt as a means of sustaining the high level of spending created over the past 6 years.

In addition to the spending limitations, Dr. Poulson informed the Committee that reforms and retooling of the overall budget process are equally necessary. If a state is imposing limitations on State spending and revenue growth, an open budget process with many varied participants, other than legislative leaders and the Governor, is needed. Priorities for the monies available have to be better established, which also requires the development of performance measures to better identify programs that are and are not performing, and thus deserving and not deserving of the more limited State funds.

Senate Republican members of the Committee are very receptive of the tenets outlined to the Committee by Dr. Poulson. Illinois needs to immediately reform its budget process and bring immediate change to how taxpayer dollars are being spent by the State of Illinois. Far too long have budgets bills, hundreds of pages long, been dropped on legislators’ desks in the final hours of a Session. Little or no daylight on the process, little or no time for staffs to understand what exactly members are being asked to approve. This process obviously hasn’t been effective for Illinois taxpayers and is in dire need of immediate and broad-based reform.

A comprehensive set of reforms, to provide transparencies in our State’s budget process, while also permanently restraining the uncontrolled spending and continued need for more money from Illinois taxpayers is necessary for the State now and for the future.
Conclusion

The work of the Committee on Deficit Reduction was instrumental in highlighting the philosophical differences between how the parties believe this State’s continuing fiscal crisis should be addressed. The witnesses invited by the Republican members of the Committee spoke about ideas to reform government programs and implement efficiencies in an effort to reduce the growth in state costs and save taxpayer dollars. Witnesses appearing at the request of the Democrat members of the Committee were predisposed to explaining how the State’s budget has very little room for additional budget reduction strategies and higher taxes are necessary to, at the least, maintain the course the State is on. The Senate Republican members of the Committee strongly suggest the State needs to be redirected off of the proven failed course it is on, and reforms and reduced spending are essential.

Governor Quinn’s Fiscal Year 2010 budget proposal represents the culmination of six years of fiscal mismanagement.

Over the last six years, Illinois taxpayers have given the State of Illinois almost $7 Billion in revenue growth. There has not been a shortage of revenue. One witness appearing before the Committee appropriately stated that Illinois has not had a revenue problem, but rather has had and seems to still have a spending problem! The Democrat majority failed, in a decent economy, to plan for a rainy day. In fact, instead of establishing reserves and paying down debt to prepare for an eventual downturn in the economy as Republicans did in the 1990s, the Democrats spent down reserves, increased debt and overextended the State’s finances. The Democrat party has expanded programs beyond the taxpayers’ ability to pay for them, ran up record backlogs in unpaid bills and shorted payments to the State’s pension systems. The Democrat leaders of Illinois supported and enabled Rod Blagojevich in implementing his flawed fiscal policies. Just last year, the Democrats alone passed the State’s budget that they admitted was over $2 Billion out of balance. Over the last six years, they have failed to make the tough but necessary decisions to put Illinois on solid financial footing.

The Republican members of the Committee on Deficit Reduction are frustrated by the condition of our State and the budget just proposed by Governor Quinn. Senate Republicans have opposed nearly all of the fiscal policies that have put our State in fiscal crisis. Senate Republicans have continually argued for less spending and more reforms, yet those arguments have fallen on deaf ears. But all of Illinois has considerable fiscal problems to confront, and we all must work to resolve it the right way.

With his budget proposal, Governor Quinn has taken the first step in the debate. He should be commended for proposing some bold ideas such as reforming our pensions and consolidating agencies. Overall, however, we believe he has taken the wrong approach. The people of this State should not be asked to pay more taxes to fund Rod Blagojevich’s State budget or to pay for an unethical government in which they have lost faith.

Many of the components of Governor’s Quinn’s budget plan are straight out of Governor Blagojevich’s playbook. The plan raises taxes on struggling Illinoisans at the worst possible time. Illinois ranks 46th in the nation in job growth over the last six years; and as many witnesses appearing before the Committee testified, increasing the tax burden on our employers is one of the worst things for the State’s economy and the ever increasing number of unemployed in Illinois. Governor Quinn’s proposed income tax increase will surely put some out of work.
The Governor proposes to make some reforms to the pension benefits packages – an idea with merit – but then proposes to use those reforms as an excuse to reduce, by over $3 Billion, the State’s scheduled payments into those very same systems. Illinois’s unfunded pension liabilities are the highest in the nation at an astounding $73 Billion.

If Illinois is to return to prosperity, it will be through economic growth and job creation, not by taxing our employers and our workers. Illinois is one of only seven states in the nation that has fewer jobs today than we had ten years ago. Over the last ten years, Illinois has lost jobs compared with the average state which has added 6.5% more jobs. If Illinois was simply an average state in this statistic, we would have over 540,000 more jobs in Illinois today. And those jobs would be translating into over $2 Billion in annual state tax revenues. If Illinois had been the 4th highest state in job growth, rather than the 4th worst over the same 10 year period, Illinois would have 1.2 million more jobs and an additional $4.8 billion in annual state revenues.

Tax increases are not the answer. We need to stimulate this economy, to make our business climate competitive and create jobs. One way the State can do this is by immediately implementing a capital spending plan for all of Illinois.

Further, the people of Illinois need meaningful government reforms – and not just fiscal reform – in an effort to rebuild the trust that has been lost in our State’s government. The great State of Illinois has recently been embarrassed on the national stage. We need to reform government programs. We need to reform government practices. We need to strengthen governmental ethics. We need to take this unique opportunity to demand real reforms in Illinois government so that we are not back in the same situation next year, in five years, or ever again. The people of Illinois are not proud of their state government. We should not be asking them for more tax revenues to pay for the same government of which they have grown weary.

Many ideas for reforming government programs and reducing spending were presented to this Committee. We, the Republican members of the Committee on Deficit Reduction, do not universally agree with all of them. However, a number of them have merit and deserve further exploration. We stand ready to work with the majority party to explore these ideas, and others for reducing government spending in order to ensure the taxpayers of Illinois begin to realize the best possible value for their investment in their state government.
Appendix 1

Timeline of the Illinois Budget Crisis

Fiscal Year 2004 Budget
The FY04 Illinois State budget was the first budget, controlled, written, and supported by virtually all Democrats who had just gained total control of Illinois government. This spending package marks the beginning of the fiscal spiral the State is in now. In FY04, in the midst of what then-Governor Blagojevich characterized as the “worst fiscal crisis in Illinois history” the Democrats increased spending by over $1 Billion.

- April 2003: Pension Bonding - All Democrats in the General Assembly vote to authorize Blagojevich’s request for $10 Billion in bonds for “pensions” (HB 2660). This action doubled the state’s debt from $9 Billion to $19 Billion, and only $7.5 Billion of the authorization made it into the pension systems. The other $2.5 billion was utilized as a one-time revenue source to provide budget relief. The annual rate of return needed to break even on this arbitrage bet is 7%. The actual annual rate of return to date has been closer to 4%.

- May 2003: Selling the Thompson Center – Governor Blagojevich’s budget included a gimmick to sell the Thompson Center (the Chicago landmark) to a foreign bank for a one time $200 million cash infusion. Every Democrat legislator, except one [Rep. Flider], voted to give the Governor the authority to sell the landmark (SB 719), but the sale was ultimately halted by the Illinois Attorney General at the request of Senate Republicans.

- May 2003: Business Taxes, Fees and Fund Sweeps - The Democrat majority passed Governor Blagojevich’s budget that included revenue derived through taxes and fees on hired truckers, liquor licenses, and businesses, as well as through the reinstatement of the “death tax”. Democrats voted to give “chargeback authority” allowing Blagojevich to raid over $1 Billion out of special funds over the next several years. They also approved over $300 million in fee hikes. (SB 774, SB 841, SB 842, SB 1634, SB 1733, SB 1903). At the time, members of the Senate Republican Caucus said the following:
  - Senator Christine Radogno – May 2003 Senate debate on SB 841 which raised tens of millions of dollars in taxes on Illinois businesses – “So the thing we’re doing is the exact opposite of what the Governor has continued to say that he wants to do, and that is, bring jobs to Illinois. This is a prime example of doing everything we possibly can to push jobs out of Illinois.”
  - State Senator Dale Righter - May 2003 Senate debate on a bill that increased taxes on business by tens of millions of dollars (SB 842) - “We will be back year after year seeking for new ways to bring more money into government because we are going to be running jobs out of this State and not collecting revenue through the way we’re really supposed to, and that is economic growth.”

- June 1, 2003: Blagojevich announces in an official press release that he has solved the worst fiscal crisis in Illinois history.
Fiscal Year 2005 Budget
The FY05 budget (SB 3340) was finally passed late in the summer of 2004. This budget contained an increase of $500 million, less than half of what Democrats originally proposed spending, due to the forced inclusion of Republican legislators at the budget negotiations in an overtime session. Democrats and Blagojevich had originally proposed a budget that increased spending by over a Billion dollars.

Fiscal Year 2006 Budget
Legislative Democrats joined together with then-Governor Blagojevich to enact deep raids on the State’s pension systems in order to pass the State budget and adjourn session on time.

- **May 2005: Pension Raids** - The Democrats pass SB 27 which reduced required payments to the pension systems by $2.3 Billion over 2 years, essentially borrowing from the pension systems to pay for ongoing spending. The reduced payments enabled the Governor and the Democrats to spend money on **new programs**.
  - In debate on this bill on May 29, 2005, Senate Republicans argued the following:
    - Senator Steve Rauschenberger: “This is not a solution to a budget. It’s the beginning of a much worse problem.”
    - Senator Bill Brady: “If you vote for this, you’re voting to increase taxes.”
    - Senator Dave Syverson: “I’m glad that the record of tonight’s comments will be recorded and the votes will be recorded in history so my children will know who is implementing probably the largest tax increase that this State has ever seen. The tax increase that we’re going to have to look at is going to have to go back to pay off this massive amount of borrowing.”
    - Senator Pam Althoff: “For Rod Blagojevich, public employee pensions are nothing more than a piggy bank that he can raid every year. But unfortunately that piggy bank is going to be empty and then the inevitable will happen: We will be forced to raise taxes to pay for Rod Blagojevich’s spending schemes.”
    - Senator Dan Cronin: “It’s hard to explain pensions and future liabilities and stuff like that. So it occurred to me that maybe this practical political ploy here is sort of a plan. This is the way to get to the tax increase. We’re setting ourselves up. Because deliberately underfunding this system...you are virtually guaranteeing that there will be a future tax increase. And thanks to this Governor, you will be voting for a tax increase sooner or later, but unfortunately that tax increase will have to be huge if you want anything to go for the important priorities in government.”

- **May 2005: Budget** – SB 1548 was the budget for FY06. It severely shorted the pension systems by **$1.2 Billion** again, allowing these resources to be spent on other concerns, including a **new $54 million subsidy** for the RTA, and increased Medicaid FamilyCare eligibility.

- **October 2005: All Kids Expansion** - The Democrat-controlled General Assembly continued to give the Governor “carte blanche spending authority,” passing HB 806 which created the All Kids Medicaid program but contained virtually no details of the Governor’s plan. The measure left important details of the program such as eligibility requirements and other factors that drive the final cost to the rulemaking authority of a State agency under the control of the then-already embattled Governor.
Fiscal Year 2007 Budget
The FY07 budget was yet another year the Democrats raided the State’s pension funds to pay for new programs which would later serve as the cornerstone of former-Governor Blagojevich’s re-election platform.
- **May 2006: Budget** – SB 1520 shorted the pension systems by **$1.1 Billion** and used those resources to increase spending and create new programs, funding the new ALL Kids program with $46 million, creating the MAP Plus program that granted $500 in assistance for all college students with family incomes less than $200,000, not already receiving a MAP grant, and it added **$45 million in new spending** for the Governor’s universal pre-school program.

Fiscal Year 2008 Budget
The FY08 budget battle started with Governor Blagojevich’s introduction of the “gross receipts tax” proposal, which would have been the largest tax increase in the history of Illinois. Despite being supported by Senate President Emil Jones, the tax was defeated.
- **May 2007: Business Taxes** – SB 1544 was part of the revenue program to support the budget, increasing taxes on Illinois businesses by **$200 million**.

Fiscal Year 2009 Budget
The Democrats failed to make the necessary difficult choices and passed an election year budget that increased spending by almost **$2.7 Billion** and was admittedly projected to be well over **$2 Billion out of balance**.
- **May 2008: State Budget** – Legislative Democrats passed the State’s budget, increasing State spending by almost **$2.7 Billion** and, at the time of passage, the Democrats admitted it was **$2 Billion out of balance** (SB 1115, SB 1102, SB 1129, and HB 5701). Democrat legislators left the responsibility of dealing with that problem to Rod Blagojevich. During debate on the out of balance budget, Republicans noted the following:
  - Senator Christine Radogno: “Anyone who votes for this budget is setting themselves up to say, ‘Well, now you have to vote for a tax increase.’ I have to vote No and I hope others will because it is so out of balance and will do much harm long term.”
  - Senator Bill Brady: “Many of us, me in particular, don’t want to support a tax increase, because I don’t think our State can afford it. In fact, I’ve argued we need to reduce the tax and fee burden on businesses to do what we really need to do to raise State revenues and that’s bring jobs back to Illinois. But let’s face it, when we spend 2.7 Billion dollars more than we have, we may not be directly increasing taxes on Illinois citizens, but we are increasing taxes because those deficits are an unfunded hidden tax.”

The budgets and bills included in this timeline were overwhelmingly opposed by Republicans.

Illinois’ Democrat-controlled legislature has repeatedly enabled the implementation of former Governor Rod Blagojevich’s fiscal agenda from the moment they took control of the State. For legislative Democrats to now point the finger of blame for our fiscal problems at the disgraced former Governor is disingenuous and misleading. Illinois Democrat leadership for the State clearly enabled the misguided policies and fiscally irresponsible spending that has created the State’s fiscal crisis and must accept responsibility for their actions.
# Appendix 2

## Full List of Savings Identified in Report

<table>
<thead>
<tr>
<th>Item</th>
<th>1-Year Savings</th>
<th>5-Year Savings</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise the cap on Charter Schools</td>
<td>Unspecified</td>
<td>Unspecified</td>
<td>Charter Schools are more cost effective, produce better test scores and more HS graduates. Raising the cap on Charter Schools introduces competition into the public school arena and gives parents choices. The Illinois Policy Institute estimates that current charter schools have already saved the state as much as $200 million.</td>
</tr>
<tr>
<td>Limit, or impose moratorium on new mandates, and repeal obsolete mandates on local school districts</td>
<td>Unspecified</td>
<td>Potentially millions in savings to schools</td>
<td>Fiscal constraint shown before new mandates imposed by State. Hundreds of unfunded mandates on local school districts should be set aside unless absolutely necessary; allowing more local control and freeing local resources, lessening pressure for more State funding.</td>
</tr>
<tr>
<td>Medicaid Global Waiver</td>
<td>$435 million</td>
<td>$2.9 Billion</td>
<td>Lucas Group suggests designing strategic plan encompassing all existing waivers and state planes under one demonstration waiver, bringing an additional $435 million in net savings to the state in additional federal match, mostly for costs not currently matched. Also gives State more flexibility implementing programs.</td>
</tr>
<tr>
<td>Medicaid Acute Care</td>
<td>$130 million</td>
<td>$865 million</td>
<td>Lucas Group estimates net savings of $130 million per year in Emergency Room expenses; much of which could also be realized through implementation of the Lewin Report.</td>
</tr>
<tr>
<td>Medicaid Rebalancing Long-Term Care</td>
<td>$110 million</td>
<td>$730 million</td>
<td>Lucas Group estimates net savings of $110 million through increased community placements, nursing home diversion and transition efforts, build capacity for shared and independent living models.</td>
</tr>
<tr>
<td>Medicaid Pharmacy Cost Containment</td>
<td>$110 million</td>
<td>$730 million</td>
<td>Lucas Group estimates net savings of $110 million through more aggressive and consolidated pharmacy benefit management, better managed drug utilization and higher co-pays to incentivize proper use.</td>
</tr>
<tr>
<td>Developmental Disabilities Shared Living</td>
<td>$ 75 million</td>
<td>$500 million</td>
<td>Lucas Group estimates net savings of $75 million through increased shared living arrangements, reduced reliance on institutional care and enhanced training to ensure quality.</td>
</tr>
<tr>
<td>Category</td>
<td>Savings Estimate</td>
<td>Savings Realization</td>
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<td>-----------------------------------------------</td>
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<tr>
<td>Medicaid Determination of Eligibility</td>
<td>$120 million</td>
<td>$800 million</td>
<td></td>
</tr>
<tr>
<td>Lucas Group suggests Private-Public Partnership to hand off determination of benefits eligibility to private partner. Could save $120 million net. Savings garnered through operational and capital costs assumed by private partner, avoided federal fines and increased prevention and detection of fraud.</td>
<td></td>
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<tr>
<td>Vendor Management</td>
<td>$300 million</td>
<td>$2 Billion</td>
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<tr>
<td>Lucas Group assumes net savings estimate $300 million through improved vendor management techniques.</td>
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<tr>
<td>State Employee Group Insurance Retiree Healthcare</td>
<td>$1.1 Billion</td>
<td>$6.7 Billion</td>
<td></td>
</tr>
<tr>
<td>Civic Committee - State could save $1.1 Billion annually by extending to 30 years and not allowing retirees to begin receiving health insurance benefit until age 65. State should follow CTA model and move to fixed contribution and use trust fund that requires retirees to contribute significant share of cost.</td>
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<tr>
<td>Purchasing and Contracting</td>
<td>$400 million</td>
<td>$2.2 Billion</td>
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<tr>
<td>Civic Committee - State could save $400 million in 1st year by enhancing and improving reliance on information technology, improving vendor and contract management, accelerating consolidation of human resources departments, and improving processing and monitoring of benefits eligibility.</td>
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</tr>
<tr>
<td>Pension Benefit Reforms: New Hires</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td></td>
</tr>
<tr>
<td>Lower-tier benefits for newly hired members proposed by Civic Committee and Civic Federation and supported by Taxpayers Federation. CGFA actuary is now calculating savings and has no estimates.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managed Care</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td></td>
</tr>
<tr>
<td>Harmony Healthcare supports implementation of a traditional Managed Care system in Illinois. According to Harmony, Wisconsin has experienced a 9% savings after switching to managed care while Missouri has saved 11% and Michigan saved 14 percent.</td>
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<tr>
<td>Medicaid Eligibility Changes</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td></td>
</tr>
<tr>
<td>The Tooling &amp; Manufacturing Association supports rolling back Medicaid eligibility to the level prior to illegal actions taken prior to Governor Blagojevich; beginning with a pre-qualification program for enrollees; and convening a rate review with the participation of hospitals.</td>
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<tr>
<td>Higher Contributions: from System Members</td>
<td>$350 million</td>
<td>$1.9 Billion</td>
<td></td>
</tr>
<tr>
<td>Higher contributions required of all current members of the 5 State-funded systems (State Employees, Judges, General Assembly, Teachers (downstate/suburban) and State Universities (all public university and community college staff and faculty). CGFA's actuary is now calculating savings from Governor's proposal to increase contributions and other reforms. This projected savings is based on Governor's 2% proposal; Civic Committee and Civic Federation cited 1% to 3% increases.</td>
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<tr>
<td>Reduce/cap funds to Local governments</td>
<td>$250 million</td>
<td>$1.25 Billion</td>
<td>Reduce/cap revenue sharing and grants to Local governments - Civic Committee</td>
</tr>
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</tr>
<tr>
<td>Implement a Statewide Employment and Promotion Freeze</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td>Supported by the Tooling &amp; Manufacturing Association</td>
</tr>
<tr>
<td>Higher Education Reforms</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td>The Tooling &amp; Manufacturing Association supports suspension of higher education tuition waiver programs; suspension of sabbatical leaves; requiring state universities to report on average teaching loads; and reforming current campus funding formulas to reward improved efficiencies and staff productivity.</td>
</tr>
<tr>
<td>Supreme Court Budget Reforms</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td>The Tooling &amp; Manufacturing Association recommends reviewing the Supreme Court budget, and determining whether the Supreme Court still needs two separate chambers, or if Appellate judges need food services and lodging. The Association also supports asking the Supreme Court to make recommendations for changing judicial pay statutes that allow for productivity.</td>
</tr>
<tr>
<td>State Programs</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td>Require a comprehensive review and justification of Illinois’ 1,750 plus state programs to determine what should be consolidated or eliminated – suggested by the Tooling &amp; Manufacturing Association</td>
</tr>
<tr>
<td>Capital Contracting &amp; Procurement Reforms</td>
<td>Unspecified Savings</td>
<td>Unspecified Savings</td>
<td>As recommended by the Tooling &amp; Manufacturing Association, implement capital contracting and procurement reforms that end project labor agreements, eliminate repair contracts from prevailing wage, and allow schools and local governments the freedom to select the lowest bidder</td>
</tr>
<tr>
<td>Identified Savings</td>
<td>$3.38 Billion</td>
<td>$20.58 Billion</td>
<td></td>
</tr>
</tbody>
</table>