



**OFFICE OF GOVERNOR PAT QUINN
FISCAL YEAR 2014 BUDGET**

Governor Pat Quinn's Fiscal Year 2014 Budget Address

We Must Stop the Bleeding

March 6, 2013 - Remarks as prepared

President Cullerton, Speaker Madigan, Leaders Radogno and Cross, Lieutenant Governor Simon, Attorney General Madigan, Secretary White, Comptroller Topinka, Treasurer Rutherford, members of the General Assembly, distinguished guests and fellow citizens of Illinois, good afternoon.

Before I begin, I want to salute one of Illinois' greatest citizens...ever.

Yesterday, we lost a great public servant, Dawn Clark Netsch. Dawn was a champion for equal rights for all people.

As the first woman elected to a state constitutional office in Illinois, Comptroller Netsch blazed a trail for women in public office.

I witnessed firsthand her dedication to honest government when we served together as State Treasurer and Comptroller in the 1990's. Dawn was a straight shooter. She always told the people of Illinois what they needed to know. Throughout her life, Dawn Clark Netsch taught us about the right way to move forward in our democracy.

We are all grateful for her purposeful life.

Ladies and gentlemen, I'm here today to submit our budget for Fiscal Year 2014.

This is the most difficult budget I have ever submitted to you.

But this is also an honest budget that reflects our fiscal challenges...pays down the backlog of bills...and addresses funds that have been under-appropriated for too long. There are no gimmicks or fake numbers in this budget.

This budget holds the line on discretionary spending, while fully meeting our skyrocketing pension obligations.

Inaction on comprehensive pension reform has left our state with less revenue for our most important priorities.

Without pension reform, within two years, Illinois will be spending more on public pensions than on education.

As I said to you a year ago, our state cannot continue on this path.

Pension reform is hard. But we've done hard things before.

Since I took the oath of office four years ago, we've taken many hard steps and enacted many difficult reforms to restore fiscal stability to Illinois.

Reduced spending

Despite the worst recession since the Great Depression and a greater demand for services than ever before, we've reduced spending to historic lows.

Our discretionary spending in this budget is about \$16 billion. We're spending less today on the operations we control than we did six years ago.

Since taking office, I have reduced discretionary spending more than any governor in recent memory.

We've closed and consolidated 54 expensive state facilities to save taxpayers more than \$100 million a year.

And closing those facilities has not only saved money, it was also good policy.

When I took office, Illinois had 1,330 young people in juvenile detention centers. Today we have 857.

Our community-based rehabilitation strategies are working. They are reducing our juvenile population and helping more young offenders choose a better path.

When I took office, Illinois institutionalized more people with disabilities and mental health challenges than any state in the Union.

Since then, we've closed several institutions.

We've invested more in community care, which provides a better quality of life and more independence for people with disabilities.

Medicaid

Last year, I asked you to work with my administration to restructure our Medicaid program, which was on the brink of collapse.

We got that done, significantly reducing liability for taxpayers. We are moving toward coordinated managed care and lower healthcare costs. And we need to stay the course.

Made efficiencies

In fact, every year since I've taken office, we've taken steps to make our government more efficient and smarter.

That includes not only Medicaid restructuring and fewer state facilities, but also reduced office space.

We've consolidated and eliminated lease space, saving more than \$50 million a year and reducing lease space by more than 2 million square feet.

Under Budgeting for Results, which we passed together in 2010, we carefully review each state agency every year. We ask – what can we do better? What are we doing well? How can we do more with less?

And this week, I'm issuing an Executive Order to officially eliminate or consolidate 75 boards and commissions to increase efficiency.

These boards were either dormant, entirely redundant, or their work had been completed.

New tentative employee contract

And last week, we reached an important contract agreement with our public employees union, AFSCME, which represents 35,000 state employees.

After 15 hard months at the bargaining table, we reached a landmark three-year agreement that will save Illinois taxpayers more than \$900 million in healthcare costs over the life of the contract.

That is unprecedented.

None of the last four gubernatorial administrations were able to achieve this kind of savings for our taxpayers.

Unlike prior administrations, we did not give in. We kept working... and working... and it worked.

This contract is good for our dedicated public employees. And it's good for all the taxpayers of Illinois.

More hard work to do

Budget reductions, facility closures, Medicaid restructuring, and the proposed collective bargaining agreement have all required hard work.

But each has brought us closer to restoring fiscal stability to Illinois.

And we have more hard work to do.

Pension reform

It won't surprise you that the hard work starts with public pension reform.

On April 14, 2010, I signed into law Senate Bill 1946, which significantly reformed our public pension system for new employees.

This law is creating billions in long-term savings for Illinois taxpayers.

National conservative columnist George Will called that law an "earthquake," a "seismic event."

But that major reform seems like ancient history today. Because as you know, our mission now is to reform our public pensions system for all employees, current and former.

Today, our budget is being squeezed more than ever. And that will continue until we put a stop to it.

The most important thing we can do to repair Illinois' finances right now is to reform our public pension systems.

Last week, in my office, I met with all four legislative leaders: President Cullerton, Speaker Madigan, Leader Radogno, and Leader Cross. And our first item of discussion was pension reform.

Thank you, leaders, for expressing your desire to do something about this crisis.

I've worked with many of you on pension reform over the past year. There have been many good ideas...many proposals...many bills.

Yet there has been no vote on a comprehensive pension reform bill.

I'm ready to sign that bill.

Now, there are fundamental elements that should be part of pension reform.

First, there must be a firm guarantee that the State of Illinois will pay its full pension amount every year. I've done that since I've been governor.

But that did not happen under previous governors and legislatures. They shorted the pension fund and shirked their responsibility. That's why we have a pension crisis today.

As you know, to make up for that failure, we've had to issue two pension obligation notes under my administration. The debt service on these notes will expire in 2020.

Once those notes expire, all of that revenue – nearly \$1 billion annually – should be dedicated to the unfunded pension liability.

In addition, employees should adjust their own contributions to their pensions.

A few weeks ago, I attended the summit called by representatives of public employees. I listened to them.

I was pleased that they volunteered to raise their employee contribution to help resolve the pension crisis. This offer should be part of the solution.

And the State of Illinois as employer should also consider additional solutions to break the gridlock.

For example, any enhancement that we enact to gaming revenues this year should be dedicated to education, which could include teachers' pensions.

Of course, gaming expansion has to be done right. It must have tough ethical standards, a campaign contribution ban on casino operators, and no loopholes for mobsters.

Finally, we cannot turn to our taxpayers to repair the pension problem.

There should be adjustments to pension benefits to fundamentally resolve this crisis.

These adjustments should include reforms to the pension cost of living adjustment. The COLA is currently 3% compounded annually. That's unsustainable for taxpayers.

For those with higher pensions, the cost of living adjustment should be suspended until the entire pension system achieves better balance.

The basic pension amount that has already been accrued by our current and former employees should not be touched.

But the pension reform solution should include cost of living adjustments going forward.

We all know that we must reform the Illinois public pension system.

So, members of the General Assembly, what are you waiting for?

I know this issue requires a hard vote. But you know that every day you wait to vote on this matter – the problem gets worse.

It is costing taxpayers an additional \$17 million a day. Illinois taxpayers are losing patience with your lack of action.

If I could issue an Executive Order to resolve the pension crisis, I would. And I would have done it a long time ago.

But democracy requires action by the executive branch and the legislative branch. It's time for you to legislate.

So take the vote. Send me a comprehensive pension reform bill. Together, let's move Illinois forward.

Pay the bills

By the way, the hard work ahead isn't just pension reform. It's paying down the backlog of bills caused by decades of fiscal mismanagement.

Over the past four years, we've been able to reduce the amount we owe. By the end of the next fiscal year, we will have reduced the backlog of bills by nearly \$2 billion.

But there's much more work to do.

That's why today I propose a plan to further pay down the state's backlog of bills.

Over the next 12 weeks, we should work together to enact legislation that suspends unnecessary corporate tax loopholes and dedicates the resulting revenue to a new Bill Payment Trust Fund.

For example, we should suspend the Foreign Dividend corporate loophole. We should also join other states that have decoupled from the Federal Production Activities loophole. And we should suspend the Non-Combination Rule that allows big corporations to shift their income to locations outside Illinois. Together, these three loopholes alone cost our treasury about \$445 million per year.

Suspending corporate loopholes like these until the bills are paid will be good for our vendors and good for our economy.

The more corporate loopholes we suspend, the faster we can pay down our bills. Why should we give costly, ineffective loopholes to some of the biggest and most profitable corporations on earth, when we have bills to pay?

As elected officials, we should also do our part to pay down the bills.

That's why I've reduced my office budget every year since I took office. This year I'm reducing it by another 5% -- and I'm dedicating these savings to pay down the bills.

And I ask our other constitutional officers and the General Assembly to do the same with your office budgets: 5% savings to pay down the bills.

Grow the economy

Of course, the best way to a better budget is to grow our economy.

In the last three years, Illinois has added 167,000 private sector jobs. And Illinois ranks 5th in the nation for recent manufacturing job creation.

Our Illinois Jobs Now! program has paved the way for economic growth. Over the last three years, through this public works initiative, we have built or repaired 6,754 miles of roads and 1,082 bridges. We've laid 3,029 miles of broadband fiber.

And we're building, repairing, or expanding 561 schools – putting thousands of people to work.

To date, we're investing \$294 million in Clean Water projects from Chicago to Murphysboro, which will put hundreds of men and women to work improving our water systems.

And we're ready to do more. Several weeks ago, I signed a bill that you sent me – an additional \$700 million investment this year in our roads and bridges all across Illinois.

The letting process will begin this month on this highway initiative, just in time for the spring construction season.

In addition to our roads and bridges, we'll put our Jump Start initiative back in motion to invest a half billion dollars for public transit in northeastern Illinois.

Public works investments like this will continue to drive our economy forward.

More and more businesses are choosing Illinois to grow and invest.

Site Selection Magazine just completed its national survey, ranking Illinois as the fifth best location in the country for new and expanded corporate facilities.

To promote more economic progress, we also need to move full-speed ahead on implementing the Affordable Care Act.

By doing so, we will create thousands of good health care jobs, even as we extend health coverage to more working people in Illinois.

Thank you, members of the Senate, for voting last week to make sure Illinois reaps the benefits of the Affordable Care Act.

Also, hydraulic fracturing – commonly called fracking – is coming to Illinois, with the strongest environmental regulations in the nation.

This legislation has the potential to create thousands of jobs in Downstate Illinois.

It will also ensure that our natural resources are protected for future generations.

Let's move forward on this jobs bill this year.

Budget priorities

We've worked to balance our budget, and we're working to grow our economy. But in the meantime, we have the reality of this year's budget.

In the last four years, we have reduced discretionary spending to historic lows. We've made our government leaner and more efficient. But with each year's budget, we've also absorbed reductions that were very difficult.

Skyrocketing pension obligations leave our state with no choice but to continue reductions to our core priorities.

There are significant reductions in this budget that I do not want to make. And that none of you will want to make either.

These reductions are the direct result of the General Assembly's lack of action on public pension reform.

Our pension obligations have squeezed out funding for core services. And every day that passes without pension reform, the problem gets worse.

That reality is very clear in the budget I submit today.

But what's also clear are the areas that we've been able to preserve funding, despite the significant pressure of pension costs.

Especially in difficult budgets, we must have priorities.

Early childhood education

That's why I have preserved investment in early childhood education. A child is only four years old once.

Research shows that the achievement gap begins before a child steps foot in kindergarten.

We cannot leave our youngest behind because of a lack of political courage on hard issues...not if we're going to ensure that every child has a chance.

High-quality early childhood education provides one of the highest returns of any public investment – more than \$7 for every dollar spent.

These are tough times... but early childhood education for the youngest among us must be a top priority.

MAP scholarships for college students

I have also preserved investment in MAP scholarships for Illinois college students who are in financial need. Access to higher education is fundamental to a student's earning potential and career path.

The average college graduate makes 75 percent more than the average high school graduate.

And the U.S. Department of Labor estimates that most of the 30 fastest-growing jobs in the nation will require education beyond high school.

Scholarships for needy college students are an investment that Illinois can't afford to cut.

Veterans

Another area that we can't afford to cut is services for our veterans. It is the duty of all of us on the home front to take good care of those who have borne the battle.

My budget includes increased funding for our Veterans' Homes. This will meet the staffing requirements of the Illinois Nursing Home Care Act that the General Assembly recently enacted.

And it will ensure that we meet the care needs of more than 900 veterans in our Homes who served our nation when we needed them most.

Our budget also preserves funding for our veteran service offices and our healthcare – including mental health care – for our veterans.

Mental health care

In fact, mental health care for all who need it is a top priority. So our budget includes an additional \$25 million investment to improve mental health in Illinois.

Violence

Finally, the prevention of violence is an urgent priority we all share.

Despite difficult reductions elsewhere, this budget supports a comprehensive approach to taking on violence.

Our anti-violence strategy includes early childhood education, after-school programs, intervention initiatives, mentorship, mental health care, jobs, and support for our law enforcement.

Our State Police are part of our battle against violence. That's why our budget supports three new cadet classes for the Illinois State Police.

Our budget also expands ReDeploy, our successful program to reduce crime by repeat offenders.

Through targeted investments in programs like this, we are doing our part to tackle the violence epidemic in Chicago and elsewhere in Illinois.

Now, these are the bright spots...the few priorities we've been able to protect despite hard fiscal reality.

But there are too many priorities that have been cut to the bone due to inaction on pension reform.

This is the most difficult budget Illinois has ever faced.

And it is only a preview of the pain that is to come if this General Assembly does not act decisively on comprehensive pension reform.

I have laid out principles that should guide the reform effort.

And I will continue to work with your leadership and members of this legislature to make pension reform the law of the land.

I stand ready to sign comprehensive pension reform immediately. Today.

But I cannot sign what I do not have on my desk. The people of Illinois need your immediate action.

This year's budget is a tough pill to swallow. But it's only managing the symptoms of a grievous condition that threatens the fiscal health of our state.

If we are to ensure a bright future for the people of Illinois, we must cure this condition. We must enact fundamental pension reform.

And so I ask you...as our greatest president Abraham Lincoln asked in this year's film: "Shall we stop this bleeding?"

Let's get the job done. Thank you.