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BRUCE RAUNER
GOVERNOR

January 9, 2018

To Members of the 101st General Assembly:

As prescribed in our State Constitution, enclosed is a report on some of our administration's initiatives and accomplishments over the last four years. Our focus has been on improving prospects for Illinois taxpayers, job creators, and schoolchildren, with a fundamental emphasis on balance, fairness, and equity. As this report demonstrates, we've made great progress in education, government operations, healthcare services, technology job growth, and criminal justice, and our efforts are saving taxpayers billions of dollars. We also successfully blocked many policies and laws which would have promoted more unnecessary spending, business overregulation, and illegal immigration.

Despite important progress, Illinois' most critical financial challenge remains: government spending continues to grow faster than our economy, forcing persistent deficits, tax increases, and out-migration of jobs and families. Unless you implement major structural reforms that help our economy grow faster than government, our children face a bleak future of ever higher taxes and lost opportunity.

Attached to this report are summaries of the recommendations from Lt. Gov. Evelyn Sanguinetti's bipartisan Commission on Government Consolidation and Unfunded Mandates and from our administration's reform plan. Full implementation of these proposals would save taxpayers over \$6 billion per year and lead to dramatically faster economic growth, allowing Illinois to achieve its full economic potential to become one of the fastest growing states in America.

To illustrate the power of economic growth, if Illinois' economy had been growing at just the national average over the last twenty years, we would have been running budget surpluses and have no unpaid bills, with only a 3% income tax rate. While portions of our policy plans have been implemented, the vast majority have not yet come to pass. We hope that efforts at major reform will continue.

The following highlights some of our administration's key priorities and achievements since 2015, and our recommendations for further work to improve Illinois' future:

EDUCATION

Our administration created and led a bipartisan task force which developed a new and more equitable school funding system that had eluded elected officials in Illinois for more than twenty years. We led a collaborative effort that achieved record K-12 funding, record early childhood education funding,

equal funding for charter schools, expanded student apprenticeships, created a historic tuition scholarship tax credit program, and developed perhaps the best ESSA plan in America focused on objective measurement of student growth. We hope that, in the future, apprenticeships will expand dramatically and that we will focus on granting technical and vocational certificates in high school so that our students are ready to pursue careers at age 18 without high tuition costs or debt. We helped set in motion the effort to rationalize and properly fund a higher education system focused on centers of excellence. We hope you can bring it to successful implementation.

ECONOMIC GROWTH

Illinois has added hundreds of thousands of jobs over the last four years. We created Intersect Illinois, a public private partnership, to recruit and expand businesses at no expense to taxpayers. We cut LLC fees, red tape and regulatory burdens. We made Illinois a national leader in sustainable energy jobs, expanded the University of Illinois' ability to create new technology companies around the state, and dramatically expanded the ability of minority owned businesses to get state contracts. On the latter, much more needs to be done to end the racial discrimination prevalent in the apprentice programs and hiring practices of the unions and companies that contract with state and local governments.

Unfortunately, we continue to dramatically underperform the rest of the country in technology and manufacturing. To rectify this, we must do three things:

1. Complete development of the Illinois Innovation Network and ensure its success by creating a business climate free of the constant threat of increased taxes that discourages job creators and philanthropists from investing here.
2. Allow certain counties/municipalities/high unemployment areas to create empowerment zones so that the thousands of companies that will not invest in a forced union state will finally consider coming to Illinois. Free choice unionism is supported by over 60% of Illinois voters, and allowing it in select communities would create dramatically more good-paying union and non-union jobs.
3. Reform our worker's compensation system so our insurance costs are more competitive and no longer push manufacturers out of state.

GOVERNMENT

The focus of our administration has been to bring Illinois state government into the digital age and provide greater value for taxpayers. To that end, we created our state's first Department of Information Technology and made Illinois a national leader in streamlining and digitizing government services. To end our state's debilitating pattern of deficit spending and tax increases, we insisted on balanced budgets, as required in our state constitution, and on policies to promote stronger economic growth. We refused to sign deficit budgets or tax increases without major structural reforms.

We worked to rebalance the power between taxpayers and public sector employees. We eliminated forced unionism in schools and state and local governments across America, began the process of eliminating illegal unionization of managers in state government, and negotiated innovative incentive-based new contracts with 22 of our state government unions.

We also curbed end-of-career pay spiking to save half a billion dollars in annual pension costs. Still to be achieved are major reforms in pensions and in employee healthcare, by eliminating it from collective bargaining as was done on a bipartisan basis in Massachusetts.

Thirteen agencies in our administration negotiated an 1115 Medicaid waiver with the federal government to make Illinois a national leader in mental health services. An administration task force

eliminated or avoided hundreds of millions million in Medicaid fraud while improving the quality of Medicaid managed care.

By executive order we established the Commission on Criminal Justice and Sentencing Reform which was instrumental in developing the job training and sensible sentencing programs that have cut recidivism rates from nearly 50% to 39% and safely reduced the prison population by 16%.

POLITICS & ETHICS

We signed Executive Orders to curb lobbyist revolving doors and sexual harassment, and to prohibit legislators from arguing cases in front of the state property tax appeals board. Our efforts to win term limits and fair maps and prevent lawmakers from doing property tax appeals work have all been blocked. Now it is up to you to challenge your caucus leaders and act on these critically important voter reforms. It is also time to form a bipartisan task force to evaluate different options for selecting and removing state judges, to reduce the politicization and conflicts of interest inherent in our current system.

CONCLUSION

We know that the many initiatives undertaken by our administration will continue to produce major benefits for the people of Illinois for years to come. But there is so much important work yet to be done.

The path to a better future is clear: increase funding for education and human services, not through tax increases, but through savings in the cost of government and through stronger economic growth unleashed by cuts in taxes and regulations.

Sincerely,

A handwritten signature in black ink that reads "Bruce Rauner". The signature is fluid and cursive, with the first name "Bruce" being larger and more prominent than the last name "Rauner".

Bruce Rauner
Governor, State of Illinois