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MEMORANDUM

To: Valerie Klans  
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From: Terry Steczo

Re: Legislative Report

Date: December 31, 2014

**2015 Looms Large**

As 2015 begins anyone who practices or is planning to practice respiratory therapy should be on high alert and should pay very close attention. Once the Illinois General Assembly session gathers full steam in February one of the issues they will be addressing is a ten-year extension of the Respiratory Care Practice Act. It will be critical that each and every ISRC members play an advocacy role regarding the Practice Act extension and be urged to take action immediately when requested.

Even though 2005 marked “crossing the finish line” by providing full licensure status after decades of trying, other professions can tell you that the sunset year can be cause for much angst. It’s not uncommon for attempts to be made by others interest groups to encroach upon respiratory duties or diminish the Act in various other ways.

Over the next few months progress reports regarding the Practice Act extension will be provided to members along with information on how to identify and contact your legislators, how to submit electronic witness slips when the extension legislation is heard in legislative committees, and ways to make voices as effective as possible during this very important year.

**The Countdown Begins**

Call it whatever you wish within the range of “it’s a new dawn” to “I see a bad moon rising”, but there is no doubt that in another 12 days things at the top of Illinois government are going to look a whole lot different. As for how much different there is no way to tell at this point, but as the process of getting a new administration ready to hit the ground running continues everyone is waiting to get a glimpse of whatever new approaches to problem solving are in store. During the past month Governor-elect Rauner has commented that the budget morass is worse than he initially thought but stopped short of providing any suggestions as to solutions he may propose, indicating that he should be allowed to assume office before getting into the minutiae. There was some prediction that he would use the “worse than I thought” argument to suggest that the lame duck legislature extend the temporary income tax. That didn’t happen. There was also some

speculation that Governor Quinn would ask the General Assembly to do the deed. That certainly didn't happen.

But what did happen was that the legislative leadership acceded to the Governor-elect's request to wait until he took office to make any major decisions on state revenue, taxes and other policies. The Illinois House actually decided to finalize its business and adjourn their session in early December rather than schedule days in January when the vote requirement to pass laws with immediate effective dates drops. The Illinois Senate scheduled a session date for January 13, the day before the new legislative session begins but only last minute issues that don't require House approval would be considered, meaning nothing of real substance will be considered. Regardless whether the decision by leaders to wait was made out of political considerations or fairness, the palette of issues will be full once the new Governor is sworn in and the General Assembly follows two days later.

Because it will take time for the General Assembly to organize after its January 14 inauguration it's not expected that much activity will take place until the first part of February. But with the Governor's State of the State address scheduled for February 4 and his Budget Message scheduled for February 18, two weeks later, the State Capitol should begin to get very warm.

### **In The Blink Of An Eye**

How would you like to lose \$1.6 billion in the time it takes to snap your fingers? Not a pleasant thought but that's exactly what will occur to the state of Illinois coffers at the stroke of midnight tonight, December 31. At midnight the temporary income tax increase enacted by the legislature four years ago lives up to its name and both individual and corporate rates will decline to 3.75% and 5.25% respectively. The impact on the ability of the state to pay bills, for services and for operations will obviously be felt, especially since the General Assembly approved a budget last May that resorted to some slight-of-hand in order to appear balanced. What all that means is there are some very difficult decisions to be made over the next two months regarding the fiscal health of the state, both on the revenue and spending side of the coin.

When they adjourned on May 30 the General Assembly sent a budget to the Governor that was fraught with peril. There was a push on at the time for early consideration of an extension of the temporary tax but that was pushed to the side as leaders looked to the November elections for guidance on that issue and Governor-elect Rauner's victory ended any thought of post-election consideration until the new administration is ensconced in office. Until then advocates wonder how the expected revenue shortfall will be addressed so that programs can continue. The final budget product last year was approximately \$800 million out of balance with \$167 million "added" to revenue estimates, \$650 million in inter-fund borrowing that has to be paid back with interest, underfunding employee health care benefits by \$380 million among other tricks. Advocates expect that a supplemental appropriation will have to be considered sometime during the early part of session to keep everything running until the end of June. That's a logical assumption but nothing is ever guaranteed. Rauner's recent statement that the anticipated shortfall will be caused by state agency overspending is true in the literal sense, but is also based on the expectation that, as always had occurred in the past, the General Assembly and Governor will find a way to provide the additional resources. One item that won't be on the table until after January 12 is discussion of revenue enhancements, and there's no way to predict how far any of those discussions will go.

Looking ahead to FY 2016 the view becomes even bleaker. The major reason is that the full impact of the temporary income tax impacts the entire fiscal year, a loss of at least \$3.2 billion. Add to that the \$800+ million that the legislature pushed forward from FY 2015, and additional

\$600 million in anticipated pension payments, as well as other increased in fixed costs and it's easy to see that there will be gnashing of teeth both on the playing field and on the sidelines as efforts are made to wade through this thicket and come up with both short and long term solutions.

### **PAC-Man Cometh?**

Governor-elect Rauner, when appearing on a recent radio show, suggested he was considering creating a political action committee, to be primarily focused on legislative races, to help legislators who vote with his program. He specifically mentioned legislators who "take tough votes". While he didn't explain which "tough votes" he had in mind a plethora of possibilities are conceivable from various workers and unemployment compensation changes, tort and other business reforms, tax reform and other revenue issues, deep budget cuts, etc.

It's probably safe to assume that the legislators Rauner is looking to protect and assist are his fellow GOP members. While not inconceivable, it's not likely that he'll create a PAC for the purpose of helping Democrats maintain their super legislative majorities by helping their individual members. And he may have some success in helping his minions provided he chooses the right issues to "protect" them from. There's no doubt that he'll have overwhelming support from the GOP caucus for various business-related reforms but once the needle moves to tax reform and revenue issues then all the PAC money in the world might not make some legislators feel protected. Taxes and general opposition to any revenue related issues that can be perceived as a tax increase send most GOP legislators scurrying. While the idea of tax reform may sound appealing to constituents, legislators know that opponents can pick apart any so-called "reform" issue and spin it any way they want. And that's the rub with the protection idea. Legislators in anti-tax areas are particularly deathly afraid of primary election opponents that could bash them unmercifully if they cast a vote that could be perceived as a vote in favor of higher taxes. It was no accident that no GOP legislators voted for the temporary income tax hike. So during the next six months as the new Governor begins to bring tax reform and other revenue ideas to the table he's going to have to be particularly persuasive with his own caucus members. Tax reform? Tough issue. Service tax expansion? Tougher issue. Extend the temporary income tax? Yikes.

Even if presented with the "protection strategy" from the Governor's Office in exchange for support of some of these issues, legislators in these areas know that all the PAC money in the world may not, in the fervor of a heated political campaign with an opponent relentlessly criticizing you for being pro-tax, save you. And that will present perhaps the biggest challenge to the Rauner administration as it attempts to look at all options moving forward as it begins the process of healing the fiscal health of the state.

### **Supreme Court Expedites Pension Hearing**

After a Sangamon County circuit court judge ruled Senate Bill1, the comprehensive pension reform legislation, unconstitutional all eyes have been on the Illinois Supreme Court and whether or not they would grant an expedited hearing. The answer to that question came two weeks ago when the Court granted the request and scheduled oral arguments for March. While there is no specific timetable for a final ruling there is some speculation that a final ruling could come before the end of the spring legislative session. If, as expected, the Court rules the entire statute unconstitutional reform advocates are hoping that some guidelines are provided that would allow the General Assembly a constitutional "roadmap" to follow. Without any guidance the legislature will have no guarantee that the next bill they send will fare any better and the pension deficit will just grow by leaps and bounds.

The central question that the Court will answer is whether or not the Illinois Constitution provision on pensions allows changes and modifications or whether any such amendments are prohibited. The Sangamon County court ruled that the Constitutional provision disallows any “diminution or impairment”. The Illinois Supreme Court also seemed to be heading in that direction when ruling a statute intended to have state retirees share in the cost of health care unconstitutional last summer. Some observers see the previous ruling as an iron-clad guarantee that the Court will bounce Senate Bill 1. Those who support the changes made in the reform statute argue that courts can be unpredictable and one action doesn’t necessarily predict any future course of action. We’re much closer now, maybe just a few months, to determining which of those viewpoints is correct.

### **Minimum Wage Hike in Limbo**

In October and early November an increase in the state’s minimum wage looked like a slam dunk. Now, it looks like it just may have been dunked and fighting for air. Pre-election polls showed that the question of increasing the minimum wage that appeared on the November election ballot was overwhelmingly popular. Those polls were borne out on Election Day when the non-binding question was approved overwhelmingly. And heading into the legislative veto session in late November it looked like the one significant policy matter to be addressed would be the minimum wage increase. Then, poof ... the momentum was gone. And there are a number of reasons why that occurred.

Some of the state not-for-profit social service agencies cited some objection to the increase, not because they opposed it but because of the impact on their bottom line. In the past state appropriations took into account the impact of a higher minimum wage on these agencies but with an expected budget shortfall ahead in FY 2015 with the loss of the temporary income tax revenue and more severe budgetary pressure expected in FY 2016 these groups aren’t confident that their additional costs will be covered. Even with these concerns it appeared that there were more than enough votes to approve an increase, but then the City of Chicago got into the act and put its legislative delegation into a box that caused the demise.

The Chicago City Council could have waited for the General Assembly to act before embarking upon its own effort to raise the minimum wage within their jurisdiction. But, election filing was close at hand and the mayor and alderman wanted to show leadership on the issue so before the legislature had a chance to consider its proposal the Chicago City Council approved an increase that was higher than that of the state. Chicago’s legislators were in a quandary because if they supported the efforts in Springfield it might be perceived back home that they were actually in favor of a *decrease* so many jumped ship and the state bill wasn’t called.

A state minimum wage increase will no doubt be in the front burner once the new legislative session begins in January. In addition to resolving whatever conflict is present with Chicago’s legislative delegation discussions will also now include the new administration and the expected push for various business reforms as part of the package.

### **Session Schedule/Deadline Dates**

Here are relevant dates for the legislative session:

- January 12 – State Officials Inaugurated
- January 14 – General Assembly session begins
- February 4 – Governor’s State of the State Address

- February 18 – Governor’s Budget Message
- February 20 – House Bill Introduction Deadline
- February 27 – Senate Bill Introduction Deadline
- March 27 – House/Senate Committee Deadline
- March 28 – April 13 – Spring Recess
- April 24 – House/Senate 3<sup>rd</sup> Reading Deadline
- May 8 – House Committee Deadline (Senate Bills)
- May 15 – Senate Committee Deadline (House Bills)
- May 22 – House/Senate 3<sup>rd</sup> Reading Deadline
- May 31 – Session Adjournment