



Rep. Michael J. Madigan

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1 AMENDMENT TO SENATE BILL 1

2 AMENDMENT NO. _____. Amend Senate Bill 1, AS AMENDED, with
3 reference to page and line numbers of House Amendment No. 1, by
4 replacing line 4 on page 1 through line 9 on page 9 with the
5 following:

6 "Section 1. Statement and Findings.

7 At the time of passage of this amendatory Act of the 98th
8 General Assembly, Illinois possesses a lower credit rating than
9 each of the other 49 states. This is a consequence both of
10 atypically large debts and of structural imbalances that will,
11 unless addressed by the General Assembly, lead to rapidly
12 growing debts. The debts include a backlog of bills exceeding
13 one-fourth of the State's annual general revenue, and
14 approximately \$100 billion in unfunded pension liabilities.
15 The structural imbalances result from projected growth in
16 non-discretionary and formula-driven expenses that
17 significantly outpace projected revenue growth. Of the factors

1 that drive this phenomenon, the most substantial by far is the
2 rapid growth of the annual pension payment, which increased by
3 nearly \$1 billion between Fiscal Year 2012 and Fiscal Year
4 2013, and will again increase by nearly \$1 billion between
5 Fiscal Year 2013 and Fiscal Year 2014, at which time it will
6 consume approximately one-fifth of anticipated general
7 revenue.

8 The State has taken significant action to ameliorate the
9 State's fiscal troubles. In 2011, the State increased the
10 income tax in Public Act 96-1496. Recognizing that increased
11 revenue alone would not solve the problem, the State has
12 enacted a series of budgets that included deep cuts to
13 discretionary programs, including programs that are essential
14 in order to provide for the health, safety, welfare, and
15 educational development of the people of Illinois.

16 The State has both reduced the size of its workforce and
17 reduced discretionary spending. The staffing level is now the
18 lowest it has been in at least the last 25 years. Discretionary
19 spending from the General Revenue Fund (GRF) has been reduced
20 by over \$2.8 billion since Fiscal Year 2009, including
21 significant reductions for primary and secondary education,
22 higher education, public safety, and human services, including
23 health care for the poor.

24 In 2010, Public Act 96-889 established a package of pension
25 benefits for new employees that has been determined to be among
26 the least expensive public employee retirement schemes in the

1 country. It can be argued that the new package of pension
2 benefits has placed government employers at a competitive
3 disadvantage, and our public universities, which are vital
4 educational and economic institutions, have been exposed to a
5 significant risk.

6 In the spring of 2012, the General Assembly made
7 significant reductions to the Medicaid program in Public Acts
8 97-687, 97-688, 97-689, 97-690, and 97-691, a series of reforms
9 to the Medicaid program that is projected to reduce State debt
10 by decreasing services, increasing the rate of taxation of
11 tobacco purchases, and accessing available federal funds. The
12 reductions include the elimination of a prescription drug
13 program for low to middle income seniors, provider rate cuts,
14 elimination of health care for adults whose families make above
15 133% of the federal poverty limit (\$31,322 for a family of
16 four), elimination of restorative dental treatments for adults
17 covered by Medicaid, and utilization limits on all remaining
18 services covered by Medicaid. While the Medicaid reforms will
19 result in savings for the State, these reforms have resulted in
20 the denial of crucial health care to hundreds of thousands of
21 needy citizens, threatening to further destabilize an
22 already-troubled safety net.

23 The General Assembly took significant steps to reduce the
24 cost of current and retired employee health care costs. With
25 Public Act 97-695, the General Assembly eliminated provisions
26 that require that retired state employees with more than 20

1 years of service receive a 100% premium subsidy for retiree
2 health care coverage after 20 years of service. Beginning with
3 Fiscal Year 2014, State employees will be required to
4 contribute significantly more toward healthcare premiums,
5 copays, and deductibles. However, the backlog of payments to
6 providers is estimated to be nearly \$1.8 billion at the end of
7 Fiscal Year 2013, and providers will continue to experience a
8 delayed payment cycle.

9 Notwithstanding these and many other steps and their major
10 fiscal, economic, and human impact, the fiscal situation in
11 Illinois continues to deteriorate. Cuts as well as the
12 inability to pay bills due and owing have had a significant
13 impact on each branch of government, units of local government,
14 social service providers, and other vendors.

15 Two-thirds of Illinois school districts are deficit
16 spending, even after layoffs and programmatic reductions. For
17 Fiscal Year 2013, General State Aid payments to school
18 districts are currently being prorated at 89% of the calculated
19 amount. For Fiscal Year 2014, the Governor's introduced level
20 of General State Aid payments would result in a proration of
21 82%.

22 Cuts to the budget of the Department of Corrections have
23 resulted in the closing of two major prisons and three Adult
24 Transitional Centers. Similarly, the Department of Juvenile
25 Justice was forced to close two youth centers. Funding for
26 probation services to help break the cycle of recidivism and

1 improve public safety has steadily declined over the past 5
2 years due to the fiscal strain on the state budget.

3 Consequently, the coming months and years will necessarily
4 see much more action by the State to achieve fiscal
5 stabilization. If these steps toward fiscal stabilization do
6 not include pension reform to restrain the growth of the annual
7 pension payment, the result will be devastating and dramatic
8 cuts to education, public safety, human services, and
9 transportation. The impact of such actions on the Illinois
10 economy, and on the health, safety, welfare, and educational
11 development of the people, would likely be extremely severe.
12 This harm could include significant economic contraction,
13 which would in turn exacerbate the underlying fiscal challenge,
14 resulting in a downward spiral of standard of living and likely
15 leading to an eventual inability of the State to meet its short
16 term statutory and constitutional responsibilities.

17 The General Assembly has held numerous hearings and
18 reviewed hundreds of documents detailing the State's pension
19 liability problem, probable solutions, and constitutional
20 issues with proposed reform. Given that and all of the above:

21 The General Assembly finds that the fiscal crisis in the
22 State of Illinois jeopardizes the health, safety, and welfare
23 of the people and compromises the ability to maintain a
24 representative and orderly government.

25 The General Assembly finds that the pension liability is so
26 great, and the State's fiscal condition is so challenged, that

1 it is doubtful whether any set of actions by the State that do
2 not include substantial reforms to its pension systems can
3 result in the full payment of all promised benefits.

4 The General Assembly finds that in order to truly solve the
5 State's pension problem, a reform measure must render the
6 pension liability affordable on an actuarially sound funding
7 schedule, and it must commit the State to maintaining this
8 schedule.

9 The General Assembly finds that the reforms in this
10 amendatory Act of the 98th General Assembly are necessary to
11 address the fiscal crisis without incurring further severe and
12 irreparable harm to the public welfare.

13 The General Assembly finds that this amendatory Act of the
14 98th General Assembly constitutes the substantial reform of the
15 State's pension systems that, along with a series of further
16 steps toward fiscal stabilization, will enable the State to
17 credibly promise the full and timely payment of all pension
18 benefits without incurring unacceptable harm to other areas of
19 State interest.

20 The General Assembly finds that this amendatory Act of the
21 98th General Assembly, with its significant cost-savings, its
22 institution of an actuarially accepted payment schedule, and
23 its historic funding commitment, is reasonable and necessary in
24 order to meet these goals and solve the State's pension
25 problem."; and

1 on page 11, by replacing lines 4 through 8 with the following:

2 "Assembly or any subsequent Public Act, which are prohibited
3 subjects of bargaining, nor shall the changes, the impact of
4 changes, or the implementation of changes made to Article 14,
5 15, or 16 of the Illinois Pension Code, or to Article 1 of that
6 Code as it applies to those Articles, made by this amendatory
7 Act of the 98th General Assembly or any subsequent Public Act
8 be subject to interest arbitration or any award issued pursuant
9 to interest arbitration."; and

10 on page 11, in line 11, by replacing "Act" with "Section"; and

11 on page 18, by replacing lines 18 through 21 with the
12 following:

13 "first."; and

14 on page 48, in line 12, by replacing "includes" with "include";
15 and

16 on page 48, by replacing lines 21 through 26 with the
17 following:

18 "make the payments and transfers required to be made by the
19 State pursuant to subsections (c) and (d). The State further
20 pledges that the State"; and

21 on page 49, in line 3, immediately after "Board", by inserting

1 "under this Section"; and

2 on page 92, in line 25, by replacing "amended or renewed" with
3 "amended, renewed, or terminated"; and

4 on page 144, in line 11, by replacing "includes" with
5 "include"; and

6 on page 144, by replacing lines 20 through 25 with the
7 following:

8 "make the payments and transfers required to be made by the
9 State pursuant to subsections (c) and (d). The State further
10 pledges that the State"; and

11 on page 145, in line 2, immediately after "Board", by inserting
12 "under this Section"; and

13 on page 162, in line 15, by replacing "amended or renewed" with
14 "amended, renewed, or terminated"; and

15 on page 171, by replacing lines 5 and 6 with the following:
16 "of this phrase is a clarification of existing law."; and

17 on page 201, in line 19, by replacing "includes" with
18 "include"; and

1 on page 202, by replacing lines 2 through 7 with the following:
2 "make the payments and transfers required to be made by the
3 State pursuant to subsections (c) and (d). The State further
4 pledges that the State"; and

5 on page 202, in line 10, immediately after "Board", by
6 inserting "under this Section"; and

7 on page 217, in line 24, by replacing "amended or renewed" with
8 "amended, renewed, or terminated"; and

9 on page 262, in line 15, by replacing "includes" with
10 "include"; and

11 by replacing line 24 on page 262 through line 3 on page 263
12 with the following:

13 "make the payments and transfers required to be made by the
14 State pursuant to subsections (c) and (d). The State further
15 pledges that the State"; and

16 on page 263, in line 6, immediately after "Board", by inserting
17 "under this Section"; and

18 on page 276, by replacing lines 7 through 11 with the
19 following:

20 "Assembly or any subsequent Public Act, which are prohibited

1 subjects of bargaining, nor shall the changes, the impact of
2 changes, or the implementation of changes made to Article 14,
3 15, or 16 of the Illinois Pension Code, or to Article 1 of that
4 Code as it applies to those Articles, made by this amendatory
5 Act of the 98th General Assembly or any subsequent Public Act
6 be subject to interest arbitration or any award issued pursuant
7 to interest arbitration.; and

8 on page 276, in line 14, by replacing "Act" with "Section".