Rep. Michael J. Madigan

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AMENDMENT TO SENATE BILL 1

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

"Section 1. Statement and Findings.

At the time of passage of this amendatory Act of the 98th General Assembly, Illinois possesses a lower credit rating than each of the other 49 states. This is a consequence both of atypically large debts and of structural imbalances that will, unless addressed by the General Assembly, lead to rapidly growing debts. The debts include a backlog of bills exceeding one-fourth of the State's annual general revenue, and approximately $100 billion in unfunded pension liabilities. The structural imbalances result from projected growth in non-discretionary and formula-driven expenses that significantly outpace projected revenue growth. Of the factors that drive this phenomenon, the most substantial by far is the rapid growth of the annual pension payment, which increased by nearly $1 billion between Fiscal Year 2012 and Fiscal Year 2013, and will again increase by nearly $1 billion between Fiscal Year 2013 and Fiscal Year 2014, at which time it will consume approximately one-fifth of anticipated general revenue.

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

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

In 2010, Public Act 96-889 established a package of pension benefits for new employees that has been determined to be among the least expensive public employee retirement schemes in the country. It can be argued that the new package of pension benefits has placed government employers at a competitive disadvantage, and our public universities, which are vital educational and economic institutions, have been exposed to a significant risk.

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

The General Assembly took significant steps to reduce the cost of current and retired employee health care costs. With Public Act 97-695, the General Assembly eliminated provisions that require that retired state employees with more than 20 years of service receive a 100% premium subsidy for retiree health care coverage after 20 years of service. Beginning with Fiscal Year 2014, State employees will be required to contribute significantly more toward healthcare premiums, copays, and deductibles. However, the backlog of payments to providers is estimated to be nearly $1.8 billion at the end of Fiscal Year 2013, and providers will continue to experience a delayed payment cycle.

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

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

Cuts to the budget of the Department of Corrections have resulted in the closing of two major prisons and three Adult Transitional Centers. Similarly, the Department of Juvenile Justice was forced to close two youth centers. Funding for probation services to help break the cycle of recidivism and improve public safety has steadily declined over the past 5 years due to the fiscal strain on the state budget.

Consequently, the coming months and years will necessarily see much more action by the State to achieve fiscal stabilization. If these steps toward fiscal stabilization do not include pension reform to restrain the growth of the annual pension payment, the result will be devastating and dramatic cuts to education, public safety, human services, and transportation. The impact of such actions on the Illinois economy, and on the health, safety, welfare, and educational development of the people, would likely be extremely severe. This harm could include significant economic contraction, which would in turn exacerbate the underlying fiscal challenge.

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

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

The General Assembly finds that the pension liability is so great, and the State's fiscal condition is so challenged, that it is doubtful whether any set of actions by the State that do not include substantial reforms to its pension systems can result in the full payment of all promised benefits.

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

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

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

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

by replacing line 23 on page 10 through line 8 on page 11 with the following:

"<u>Notwithstanding any other provision of this Act, employers</u>

shall not be required to bargain over matters affected by the changes, the impact of changes, and the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or to Article 1 of that Code as it applies to those Articles, by this amendatory Act of the 98th General Assembly or over any other provision of Article 14, 15 or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, which are prohibited subjects of bargaining; nor shall the changes, the impact of changes, or the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or to Article 1 of that Code as it applies to those Articles, by this amendatory Act of the 98th General Assembly or any other provision of Article 14, 15 or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, be subject to interest arbitration or any award issued pursuant to interest arbitration. The provisions of this Section shall not apply to an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 98th General Assembly and has not been amended, renewed, or terminated after that date."; and

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

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

"first."; and

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

on page 48, by replacing lines 21 through 26 with the following:
"make the payments and transfers required to be made by the State pursuant to subsections (c) and (d). The State further pledges that the State"; and

on page 49, in line 3, immediately after "Board", by inserting "under this Section"; and

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

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

on page 144, by replacing lines 20 through 25 with the following:
"make the payments and transfers required to be made by the State pursuant to subsections (c) and (d). The State further pledges that the State"; and

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

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

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

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

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

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

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

on page 262, in line 15, by replacing "includes" with "include"; and by replacing line 24 on page 262 through line 3 on page 263 with the following:

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

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

on page 276, by replacing lines 1 through 11 with the following:

"Notwithstanding any other provision of this Act, employers shall not be required to bargain over matters affected by the changes, the impact of changes, and the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or to Article 1 of that Code as it applies to those Articles, by this amendatory Act of the 98th General Assembly or over any other provision of Article 14, 15 or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, which are prohibited subjects of bargaining; nor shall the changes, the impact of changes, or the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or to Article 1 of that Code as it applies to those Articles, by this amendatory Act of the 98th General Assembly or any other provision of Article 14, 15 or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, be subject to interest arbitration or any award issued pursuant to interest arbitration. The provisions of this Section shall not apply to an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 98th General Assembly and has not been amended, renewed, or terminated after that date."; and

on page 276, in line 14, by replacing "Act" with "Section"; and

on page 277, by replacing lines 8 through 11 with the following:

"Section 97. Severability and inseverability. The provisions of this Act are severable, except that the changes made to subsections (a), (a-1), (a-2), and (a-3) of Section 2-119.1, to subsections (d), (d-1), (d-2), and (d-3) of Section 15-136, to subsections (a) and (b-3) of Section 16-158, and to Sections 2-124, 2-125, 14-114, 14-131, 14-132, 15-155, 15-156, 16-133.1, and 16-158.2 of the Illinois Pension Code are mutually dependent and inseverable.".