



**OFFICE OF GOVERNOR PAT QUINN**  
**FISCAL YEAR 2013 BUDGET**

**Governor Pat Quinn**  
**Fiscal Year 2013 Budget Address**  
*February 22, 2012 - 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, I'm here today to submit to you our budget for fiscal year 2013.

I'm here today to tell you the truth.

This budget contains truths that may not be what you want to hear.

But these are truths that you do need to know.

And I believe you can handle the truth.

On November 2, 2010, the people of Illinois elected me to be honest and straight with them – and with you.

The truth is that over the past 35 years, too many governors and members of the General Assembly have clung to budget fantasies rather than confronting hard realities, especially with respect to pension and Medicaid investments.

Today, our rendezvous with reality has arrived.

We must navigate our budget out of past decades of poor fiscal management, deferring bills to the future and empty promises.

We must achieve fundamental and lasting budget reform.

And we must do it now.

In this budget, I am proposing serious spending reductions and efficiencies across state agencies and constitutional offices.

But for these reductions to work, we must also stabilize and strengthen our public pension systems once and for all.

We must fundamentally restructure our Medicaid program.

And we must rebalance and move our most vulnerable citizens from institutions to community care.

But cuts and reforms are not enough.



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We must also grow and build our economy.

My paramount priority at all times is economic growth and jobs for the people of Illinois.

That's why this budget invests more in education from birth to university.

Jobs follow brainpower.

That's also why this budget emphasizes our commitment to public works.

Jobs follow solid infrastructure.

I want to thank the members of our new Budgeting for Results commission, comprised of my budget officers, legislators and volunteer citizens.

The Budgeting for Results process focused on our core priorities, and increased openness in the budget process.

Sen. Dan Kotowski is chairman of the commission and worked closely with Sen. Pam Althoff, Rep. Will Davis, Rep. Kent Gaffney, former budget director Steve Schorf, and many more including Roger Myerson, a recipient of the Nobel Prize for economics.

Like these commission members, I believe in a timeless American truth, there is no problem we cannot solve if we put our hearts and minds to it.

Since I've been Governor, we have already defied the doubters, by working together to enact landmark reforms.

Like no-nonsense ethics standards;

Like reforming the workers' compensation and unemployment insurance systems;

Like cutting red tape for employers who need environmental permits;

Like overhauling workplace rules at McCormick Place and like our new education reform law that is a model for the nation.

Each of these historic reforms demonstrated the power of bringing everyone to the table to repair broken systems.

Now we must apply this same collaborative approach to strengthening and stabilizing our public pension systems.

We took the first step in 2010 when we overhauled pension rules for new employees.

These changes will save taxpayers billions of dollars over the next generation.



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But we have a lot more work to do.

Since I've been Governor, these last three years, we have paid exactly what the law required us to pay into the pension system.

But for decades—paying what's necessary for a stable pension system did not happen in Illinois.

Previous members of the General Assembly and previous governors did not invest the proper amount into the pension system.

Indeed, in the past, the General Assembly even increased retiree benefits without sufficient revenue to pay for these benefit increases.

Previous legislators and previous governors even awarded taxpayer funded health insurance benefits to themselves and 82,000 retirees, where 90 percent of them pay nothing on their insurance premiums.

This lack of fiscal accountability has cost us dearly today.

This year's general revenue fund payment for public pensions is \$5.2 billion; triple what it cost in Fiscal Year 2008.

Today, pension payments take up 15 percent of our entire general revenue fund, compared to 6 percent a few years ago.

We must stabilize and strengthen our pension systems to prevent them from swallowing up our core programs in education, health care, and public safety and to ensure that we can pay all our bills.

We need to do pension reform in a way that's meaningful, constitutional and fair to the employees who have faithfully contributed to the system.

We can do this in a way that does pass constitutional muster.

But everything has to be on the table.

Together, we've assembled a pension working group including Sen. Mike Noland, Sen. Bill Brady, Rep. Elaine Nekritz and Rep. Darlene Senger to work with our office to address the fiscal issues affecting our three major public pension systems.

At my direction, this group is working with all interested stakeholders to solidify a framework for solving our pension challenges.

I have set Tuesday, April 17 as the deadline for submitting their blueprint.



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I want to repeat: Everything is on the table for our pension working group.

Historical funding practices, employer contributions, employee contributions, the retirement age, and the cost of living adjustment.

When it comes to solving our pension challenges, everybody must be in and nobody left out.

It should be noted that only 22 percent of the \$5.2 billion pension cost this year is actually for the retirement costs of state employees.

More than three quarters of this pension cost is for non-state employees—from suburban and downstate teachers, to our university and community college employees.

Every unit of government has a stake in this mission.

We must repair this broken system.

And we must do it now.

It is imperative to get the job done this year for our state to move forward.

We also need to move forward to fundamentally restructure our Medicaid program, which is on the brink of collapse.

Medicaid provides healthcare to 2.7 million people in Illinois.

Seniors, people with disabilities, young children and newborns are part of Medicaid.

More than half of Illinois babies born today are covered by Medicaid.

It is vitally important that we restructure Medicaid, so that it's always there for our neighbors who need it.

Unfortunately, at the end of the current fiscal year, Illinois will have \$1.9 billion in unpaid Medicaid bills.

Let's be clear.

Last year's appropriation by the General Assembly for Medicaid fell \$1.9 billion short of what Medicaid actually cost.

Illinois is the only state that intentionally kicks its current Medicaid bills into future fiscal years.

We cannot allow this to continue.



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Look at the recent report of the Civic Federation. They reach the same conclusion. The Civic Federation projects \$21 billion in unpaid Medicaid bills by 2017 if fundamental restructuring is not implemented immediately.

To rescue Illinois' Medicaid program, we must reduce expenditures in the program by \$2.7 billion in the coming year.

In order to reduce cost pressures, we need to reconsider the groups who are eligible for Medicaid, the services we cover under the program, the utilization of these services and the way and amount we pay for them.

Let me repeat, we must address eligibility, services, utilization and payments to bring spending in line with appropriations.

AND we must protect against fraud and abuse in the Medicaid system.

I have the utmost respect for the doctors, clinics, hospitals, nursing homes, and pharmacists who provide care under the Illinois Medicaid program, often under very challenging circumstances.

But it is respect for these providers that motivates me to act to save the entire program from collapse.

We must ensure there will still be a Medicaid program in Illinois.

We have a Medicaid working group, consisting of Sen. Heather Steans, Sen. Dale Righter, Rep. Sara Feigenholtz, and Rep. Patti Bellock, along with Healthcare and Family Services Director Julie Hamos.

Together, we must follow our roadmap for Medicaid restructuring to find the right combination of liability reductions, modernized eligibility standards, utilization controls, rate reduction, acceleration of integrated managed care, and coordination of long-term programs in order to properly manage our Medicaid spending.

We will engage you every day until we create an affordable and high quality Medicaid program that's sustainable for this year and years to come.

Medicaid spending must be restructured to keep the system alive and well.

This is not something you can blithely delay for another year.

I believe in a decent quality of life for everyone in Illinois.

That's why we must fix our Medicaid system.

That's also why I'm committed to improving the quality of life for people with developmental disabilities and mental health challenges.



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Our budget includes funding to ensure smooth transitions and coordinated care as individuals go from costly institutions to supportive community settings.

Illinois lags behind the rest of the nation in the utilization of person-centered, community-based care which has been demonstrated to allow people with developmental disabilities to lead more active and independent lives.

Over the next fiscal year, we will close two developmental disability centers: Jacksonville, as well as the Murray Developmental Center in Centralia.

We will close two mental health hospitals: Tinley Park, as well as Singer in Rockford.

The approach we are taking to rebalance our system will allow for the safe and smart transition to community care settings for some of our most vulnerable citizens.

We will comply with all court consent decrees.

We will provide individualized care.

And we will achieve savings for the people of Illinois.

In addition to providing more access to community care with these closures, our budget acknowledges fiscal reality by closing or consolidating 59 other state facilities.

In Juvenile Justice, Joliet and Murphysboro youth centers will be closed.

In the Department of Human Services, 24 local offices across the state will be consolidated.

In Agriculture, the department's Centralia lab will be consolidated with the lab in Galesburg.

The State Police forensic lab in Carbondale will be consolidated with the new forensic lab in Belleville, as soon as it is completed.

And the 20 State Police telecommunications centers will be consolidated to four centers in Chicago, Springfield, Sterling, and Du Quoin.

This will allow us to train 2 new State Police cadet classes in the coming fiscal year.

We will consolidate 4 state garages in Central Management Services and 3 offices in the Department of Children and Family Services.

The Department of Corrections will close 6 adult transition centers—Crossroads Chicago, West Side Chicago, Decatur, Aurora, Peoria, and Carbondale.



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Finally, the Corrections Department will close 2 prisons—Tamms and Dwight.

These 59 closures and consolidations are hard but necessary.

They impact every region in our state, but the need for lower spending in our budget gives us no choice.

In times like these, we must be accountable and responsible.

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

The Civic Federation has pointed out that our general funds operating budget today is less than in Fiscal Year 2008.

This is the key area in the budget where the Governor has the most ability to cut spending.

We have already achieved close to \$200 million in annual savings by reducing the number of state employees.

There are 2,200 fewer state employees now than when I took office in January 2009.

And this year, we'll reduce the number of state employees even further.

In addition, we've consolidated and eliminated lease space, especially in the Chicago area, saving more than \$43 million a year and reducing leased space by nearly 2 million square feet.

More than 20 percent of state government's leased space has been totally eliminated since I took office.

When we talk about reductions, it is important to lead by example.

This year, I'm cutting the Governor's office budget by 9 percent.

And I've called on other constitutional officers to do the same.

Overall, our general revenue budget in the coming year calls for \$425 million less in agency spending than last year's budget.

But one area where we are not cutting is our budget for Veterans.

We are increasing direct care staff at our 4 veterans' homes at Manteno, LaSalle, Quincy and Anna.

And we're doing more to address post-traumatic stress disorder.

Illinois servicemembers and veterans are our heroes and the pride of our nation.



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We have a duty on the home front to take good care of those who have borne the battle.

That is why I urge you to promptly pass the Hiring Veterans Tax Credit.

This tax credit will create jobs for our young Illinois veterans who have served our state and our country with exemplary honor.

It's our turn to serve them with a good job and decent health care.

Another area we are not cutting is education.

I believe in the power of education to create opportunity for everyone in our society.

This is why I have maintained our basic investment in education, despite extremely hard times.

No state is going to out-educate Illinois.

I believe in early childhood education, special education, bilingual education, kindergarten to 12th grade education, community college education, and university education.

This year's budget calls for close to \$9 billion in education spending with priorities on early childhood education and scholarships for qualified students who have been admitted to college, but have financial need.

At a time when student loan debt is more than credit card debt, too many deserving Illinois students are denied access to higher education because they cannot afford it.

That's why this budget allows for \$50 million in additional investment in our Monetary Assistance Program, to help our bright young students attend college.

While nearly 150,000 Illinois students received state MAP scholarships last year to attend college, just as many qualified applicants were denied because of lack of funding.

We must invest in their brainpower.

By the same token, we cannot overlook the importance of early childhood education.

Learning begins at birth, and those first years of a child's life are the most important.

Research has shown that without an early learning foundation, children fall behind in school.

Illinois, we can't leave our youngest behind.





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You only get one chance to be 4 years old.

That's why my budget includes an additional \$20 million investment in early childhood education this year.

And to ensure that all students are receiving a quality education, we need to make sure they have quality schools.

Last Thursday, I announced our school construction and repair initiative for 2012.

As part of our Illinois Jobs Now! program, we are investing \$623 million in school districts across Illinois to update their facilities and make critical repairs.

Our school initiative will create 4,000 construction jobs and help students and teachers in: St. Charles, Wheaton, Harvard, Peoria, Huntley, Orland Park, Brookfield, LaGrange Park, Crete, Monee, Millstadt, Knoxville, Wilmington,, Berwyn, Trenton, Stark County, Virginia, Skokie, Burbank, Union County, Manhattan, Paris, Homer Glen, Gurnee, Raymond, Spring Valley, Rochelle, Ramsey, Mt. Vernon, Hazel Crest, Markham, Calumet Park, Marion and Chicago.

I urge you to authorize the rest of our *Illinois Jobs Now!* Capital Program so we can continue to build and repair our schools, our highways, and our bridges.

I look forward to working with you to find proper funding to meet our ongoing capital needs.

I also look forward to working with you to find revenue to pay our bills and provide targeted tax relief.

Let us begin with a thorough search for loopholes in the Illinois Revenue Code.

For too long, we've had a revenue code that looks like Swiss cheese, with plenty of loopholes for the powerful.

Many of these loopholes are based on politics, not economics.

Many are outdated and ineffective for job creation.

For example, why does Illinois give big oil companies the privilege of declaring their oil derricks in the Gulf of Mexico to be foreign countries?

They are not paying their fair share of Illinois corporate income tax.

This corporate tax loophole doesn't create any Illinois jobs but it does cost our state treasury \$75 million a year.

We want a tax code that fosters economic growth and fairness, not just windfalls for big oil companies.



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That's why I have instructed my Revenue Director, Brian Hamer, to meet with legislative leaders of both houses and both parties to identify and close unnecessary loopholes.

Part of the loophole revenue can be used to provide targeted tax relief for hard-working families and businesses across Illinois.

By taking on the loophole lobby, we can find the revenue to permanently abolish the natural gas utility tax.

This tax relief helps both employers and consumers.

Who needs targeted tax relief more?

The loophole lobby?

Or the 1.4 million families in Illinois who will benefit from our proposed Child Tax Credit?

It's time to apply the same scrutiny to loopholes in the revenue code as we do for expenditures in the operating budget.

We all know that Illinois needs to pay down the backlog of bills that has accumulated over decades.

Why not a moratorium on unfair loopholes in the tax code as an important way to pay the bills faster?

We have major budget issues to squarely address in the coming weeks—pension stabilization, Medicaid restructuring, and fundamental tax reform.

The people of Illinois are counting on us to meet these challenges head-on and to get the job done.

Confronting hard truths is what public service is all about.

During World War II, my father served in the United States Navy for 3 years, 1 month, and 15 days.

The sailors had a motto: "We Stick—We Win!"

Americans know when we stick together and work for the common good, we all come out ahead. We all win.

Loyalty to the common good is far more important in Illinois today than loyalty to your caucus or loyalty to your lobbyist.

It's time to put progress ahead of politics in Illinois. And together we will make the will of the people the law of the land!

Thank you.