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OFFICE OF THE GOVERNOR
PAT QUINN

Securing Illinois' Financial Future
Governor Pat Quinn's Fiscal Year 2015 Budget Address

President Cullerton, Speaker Madigan, Leader Radogno, Leader Durkin, Lieutenant Governor Simon, Attorney General Madigan, Secretary White, Comptroller Topinka, Treasurer Rutherford, members of the General Assembly, distinguished guests and fellow citizens of Illinois, good afternoon.

I'm here today to propose not only a budget for the next fiscal year, but also a five-year blueprint that will secure Illinois' long-term financial future.

I will be forthright and specific with you.

Illinois is in a stronger financial position now than we were five years ago.

Because of the hard choices that we've made, today we're in a position to balance the budget in a way that builds and protects the middle class by providing significant tax relief.

We're also in a position to invest in our schools because the future of our economy depends on the quality of our education.

The Path of the Last Five Years: Tough Calls & the Beginning of Recovery

Five years ago, when I took the oath of office, Illinois was headed over a steep financial cliff.

We were facing the worst pension crisis in America. Our economy was trapped in the worst recession since the Great Depression. The backlog of bills was on its way to \$9.9 billion. And for too many years, our state was overspending - our revenues did not match our expenditures.

Together, we began the long, hard journey to rebuild Illinois.

Over the last several years, we've addressed the cost-drivers of the fiscal crisis that I inherited.

Cut Spending

First, we cut state spending by more than \$5.7 billion.

We slashed wasteful spending. We re-negotiated numerous contracts with our state vendors. We reduced office space by 2.4 million square feet. We cut the use of paper, pagers, landlines and cell phones, saving millions for taxpayers.

We also did the hard things to drive down the cost of operating state government. We closed and consolidated more than 50 state facilities. We overhauled our Medicaid program, rooting out waste, fraud and abuse. We made hard choices to reduce Medicaid spending. We reformed our worker's compensation system.

And we made Illinois government more sustainable. We adopted clean technologies and we moved to energy-efficient vehicles. We're using far less fuel today than we did five years ago. We made our government buildings more efficient to save taxpayers money. Illinois now leads the nation in LEED certified energy-efficient buildings.

Today the cost of running state government is below 2008 levels. We've cut more than \$5.7 billion from our budget since I took office. Illinois is now one of the states with the lowest ratio of government employees per capita.

Pension Solution

We also took on the pension crisis.

Unlike the past, I made the pension payment every single year since I became Governor.

In 2010, we took the first step of pension reform, passing pension reform for future public employees.

And last year we passed urgently-needed, comprehensive pension reform that will preserve the hard-earned pensions of our workers while eliminating the pension debt over the next 30 years.

This was the most significant fiscal reform in the history of Illinois - a reform that credit agencies are saying could be the most meaningful reform package in the nation. Together, we got the job done.

Contract Savings

And last year, we secured a historic contract agreement with our public employee unions.

After 15 hard months at the bargaining table, we reached a landmark three-year agreement that is saving Illinois taxpayers more than \$900 million in healthcare costs over the life of the contract.

That is unprecedented. No governor in the last four decades has been able to achieve that kind of savings for our taxpayers.

As a result of our hard work to restore fiscal stability - from spending reductions, to pension reform, to contract savings - Illinois is in a much stronger financial position than it was five years ago.

We've paid down \$5 billion in bills and we're well on our way to returning to a timely 30-day payment cycle. The rating agencies are sending positive signals for the first time in recent memory.

More people are working today in Illinois than five years ago. Since January 2010, when the national recovery began, Illinois has added 257,000 private sector jobs. Our state was recently named the 3rd best in the nation when it comes to corporate expansions. As a matter of fact, Illinois acquired more than 18,000 new business establishments since 2009, a number that was third in the country.

We've turned the corner. We're on the road to recovery. But too many families don't feel that recovery yet...and we have much more work to do.

The Path Ahead: A Fork in the Road

The truth is, while we've taken some difficult steps to balance the budget, the issue of expiring revenue this year is a real challenge...that will require another hard choice.

If action is not taken to stabilize our revenue code...extreme and radical cuts will be imposed on education and critical public services. Cuts that will starve our schools and result in mass teacher layoffs, larger class sizes and higher property taxes.

Cuts that mean:

- 13,000 teachers laid off
- 21,000 fewer seniors receiving the help they need from in-home caretakers
- 30,000 fewer people with mental illness receiving the assistance they need
- 41,000 fewer children in child care
- 30,000 fewer students receiving MAP college scholarships.
- 11,000 victims of domestic abuse not receiving shelter and assistance.
- 3,700 victims of rape left without proper care.

- Thousands of senior citizens in nursing homes left vulnerable, with severe cuts to nursing home inspectors

- And hundreds of veterans evicted from our Veterans Homes.

We cannot stand by and allow savage cuts to schools and these critical services to unravel the progress we've made over the past five years.

What We Won't Do

And as we work together to forge a solution, let me be clear about what I won't do.

I won't institute any new, unfair taxes on everyday services that working people rely on. It hurts working families the most to tax basic services like going to the Laundromat...like taking your child to daycare...like visiting the barber shop...or taking your dog to the vet.

We should not create a new and unfair tax burden on everyday families and the small businesses that serve them.

I also won't tax retirement income. I will not tax the social security checks that our seniors on fixed income rely on. We shouldn't balance our budget on the backs of our senior citizens.

Finally, I will not underfund our schools and shift more of the property tax burden onto homeowners in local school districts.

That is exactly what slashing state funding for our schools will do.

Cutting state education funding not only shortchanges our children. It increases the burden on school districts whose funding is dependent on local property taxes.

Make no mistake - cuts to state funding for education will dramatically increase local property taxes on families and businesses.

The Path Forward: What We Will Do (Comprehensive Tax Reform for Growth and Fairness)

The path forward lies in bold and honest action. Now that we have addressed the roots of Illinois' financial crisis, it's time to take bold steps to secure our long-term financial future for economic growth and fairness.

Comprehensive Tax Reform

Therefore, I propose today a solution that protects our children, our working families, and our seniors by preventing radical cuts to education and critical services.

A solution that provides significant tax relief to homeowners and working families, while investing like never before in education and early childhood.

My comprehensive tax reform plan starts with providing every homeowner in Illinois with a guaranteed \$500 property tax refund every year.

In Illinois, more is collected in property taxes every year than in the state income tax and state sales tax combined. In fact, Illinois has one of the highest property tax burdens on homeowners in the nation - more than 20 percent above the national average. The property tax is not based on ability to pay. The property tax is a complicated, unfair tax, hitting middle class families the hardest.

Homeownership and home-buying are essential to our economy. And thanks to the fiscal reform progress we've made over the past five years, today we can provide Illinois families with significant new property tax relief. An annual property tax refund that is fair, substantial, and permanent.

For too long, Illinois has underfunded its schools and overburdened its property taxpayers.

Governor Jim Edgar and I don't always agree, but he was right in 1997 when he advocated a plan to use the income tax to invest more in education while cutting property taxes for the middle class. This fundamental principle was right then and it's right now.

It's time for Illinois to confront the fact that we rely too much on a 19th century property tax system to fund the most important mission of the 21st century: educating our children. It's time to do something about this. And that's why my plan calls for the most significant property tax relief in state history.

In addition, my plan also calls for doubling the value of the Earned Income Tax Credit over the next five years. President Reagan once said that this credit was "the best anti-poverty, the best pro-family, the best job-creation measure" we could ever devise. More tax relief for working families raising children will strengthen our economic recovery.

My plan also provides tax cuts to businesses for job training. Employers know that highly-skilled workers are the key to their success in this competitive economy. By lowering the cost to business of training workers, this tax cut makes it easier for them to create new jobs. And it ensures our workers have the skills to drive a 21st century economy.

Finally, this comprehensive tax reform plan would maintain current income tax rates, allowing us to balance the budget, properly invest in education, and provide every Illinois homeowner with a guaranteed \$500 property tax refund every year.

By taking this comprehensive approach to tax reform, we can stabilize the budget for the long-term, in a way that provides targeted tax relief where it's needed most: to homeowners and working families raising kids.

It's time to move away from the era of annual budget emergencies and temporary solutions. As long as I am Governor, we are not going to accept a future of higher and higher property taxes.

There is a better way. My plan secures Illinois' long-term financial future in a way that protects middle class families. And it's a far cry from the fundamentally dishonest plan that says we can do nothing at all and somehow emerge without extreme budget cuts and the property tax increases resulting from them.

Securing Future Stability

In addition, our plan includes responsible measures to make sure Illinois lives within its means for years to come.

We need to establish solid spending caps to enforce fiscal discipline to ensure Illinois never again defers its obligations.

We also need to build our reserves to protect taxpayers in the event of an economic downturn or an emergency down the road. This will allow for better budget stability, so we can build our reserves in the good times and draw on them in the hard times.

Together, spending caps and a rainy day fund will provide for the strongest fiscal controls over state spending that have ever been implemented. This will ensure that state leaders never again spend money they don't have.

In the last five years we've worked to get our financial house in order by cutting spending, enacting pension reform, and securing a better deal for taxpayers with the new collective bargaining agreement.

In the next five years, through our plan, we can secure long-term stability while providing targeted tax relief to working families raising children, and to homeowners who will receive a guaranteed \$500 property tax refund every year.

Over the coming weeks, I stand ready to work with each of you to negotiate and pass a budget that provides property tax relief to the middle class and better funds our schools.

What this Path Allows: Budget Priorities

On this path, we can achieve a state budget that properly funds education, public safety, and critical human services.

The budget I propose to you today is a five-year blueprint for growth that will secure Illinois' long-term financial future - a plan which invests in our people to strengthen our economy recovery.

Capital

My plan recognizes that we must continue to repair and invest in our infrastructure. Five years ago, when I took office, you worked with me in good faith to pass the largest construction program in Illinois history to update our roads, our bridges and our schools. That program - Illinois Jobs Now! - has supported more than 400,000 jobs.

We've built and repaired 7,731 miles of road, 1,330 bridges and 1,048 schools.

But there's much more work to do. We must continue to invest in building a world-class transportation system in order to compete in the 21st century.

That's why today I am proposing a bipartisan working group to develop a new capital plan for the next five years.

Education

In addition, over the next five years, my plan calls for the biggest education investment in state history.

Every child should have an excellent school.

In my State of the State address, I announced a bold Birth to Five initiative that will drive economic growth for the next generation. At-risk children who don't receive a high-quality early childhood education are:

- 25% more likely to drop out of school
- 40% more likely to become a teen parent
- 50% more likely to be placed in special education
- 60% more likely to never attend college
- And 70% more likely to be arrested for a violent crime.

We will never close the achievement gap without our Birth to Five initiative. That's why my blueprint invests \$1.5 billion in Birth to Five - a game-changing investment in our economic future.

We also need to better fund our elementary schools and our high schools.

In 2011, we worked together to enact landmark education reform that was a model for the nation. Parents are now empowered with a report card on their children's schools. Teacher evaluations have strong benchmarks. And performance is prioritized over tenure. Thank you Senator Kim Lightford, Representative Linda Chapa LaVia and all of you for your work on this important legislation.

We believe in public education. And with these historic reforms in place, now is the time to increase our investment in education to its highest point ever. Over the next five years, we will increase our investments in the classroom by more than \$6 billion.

In addition, we're moving to modernize classrooms across the state. Every classroom in Illinois should be a classroom of the future. The great equalizer in our democracy is public education. All students - no matter where they live - deserve to go to a first-rate school.

My plan will also increase our investment in our community colleges and our four-year public universities. We need to expand opportunities for students to attend college. That's why we will double our investment in MAP college scholarships for students in need. We'll also increase access to higher education through dual enrollment and early college programs.

Finally, our financial blueprint will protect state funding to local governments over the next five years. Local governments are critical partners and they have also been hit hard by the recession. By providing them with the stability they need to fund critical local services like police officers and firefighters, we'll make sure our local governments share in the growth and recovery of Illinois.

Conclusion

I was elected in 2010 to be straight with the people of Illinois and to be straight with you.

The truth is, those who are telling you that Illinois can tax less and spend less and still expect to fund education are simply not telling you the truth.

The truth is, Illinois is spending less - billions less - even as demands have grown.

The truth is, our structural budget reforms that we fought for in the past five years are critical to recovery. But alone they are not enough. We cannot cut our way to prosperity.

Today, I propose that we take the path that is honest and responsible. The path that protects everyday families and invests in their future.

The honest path that includes some additional hard steps, but leads us out of the era of budget emergencies and into an era of long-term financial security and a booming economy.

Our plan is specific, concrete and responsible. It balances the budget and doesn't shirk our responsibility to our veterans, to our children, to our working families, and to our most vulnerable citizens.

I ask each of you to consider the merits of this proposal. And I stand ready to work with you to pass a budget and do the right thing for our children.

As President John F. Kennedy once said, "Our deep spiritual confidence that...[we] will survive the perils of today...compels us to invest in our...future. To consider and meet our obligations to our children and the numberless generations that will follow."

President Kennedy was right. We are custodians of our children's future.

Together we've taken many hard steps in the right direction. We have acted with political courage. And we can continue to do that.

Let's keep Illinois moving forward, and make the will of the people the law of the land. Thank you.