Fiscal Year 2011 Budget

Governor Pat Quinn, State of Illinois

March 10, 2010

Fighting for Illinois

Creating Jobs | Cutting Costs | Moving Forward

TABLE OF CONTENTS

3..... The Crisis
5..... Revenue Picture
6..... Listening to You
8..... Pillars of Recovery
9..... Creating Jobs
12..... Cutting Costs
22..... Strategic Borrowing
23..... Continued Federal Assistance
24..... One Percent for Education
25..... Consequences of Inaction

THE NATIONAL CRISIS

"The economic downfall has hit our town and my family already. I have two sisters that have become unemployed and are still looking for a job…"
- ***Nikki, Du Quoin***

The Great Recession

- Record-high unemployment
- Worst financial crisis since Great Depression
- Jobless recovery

THE ILLINOIS CRISIS

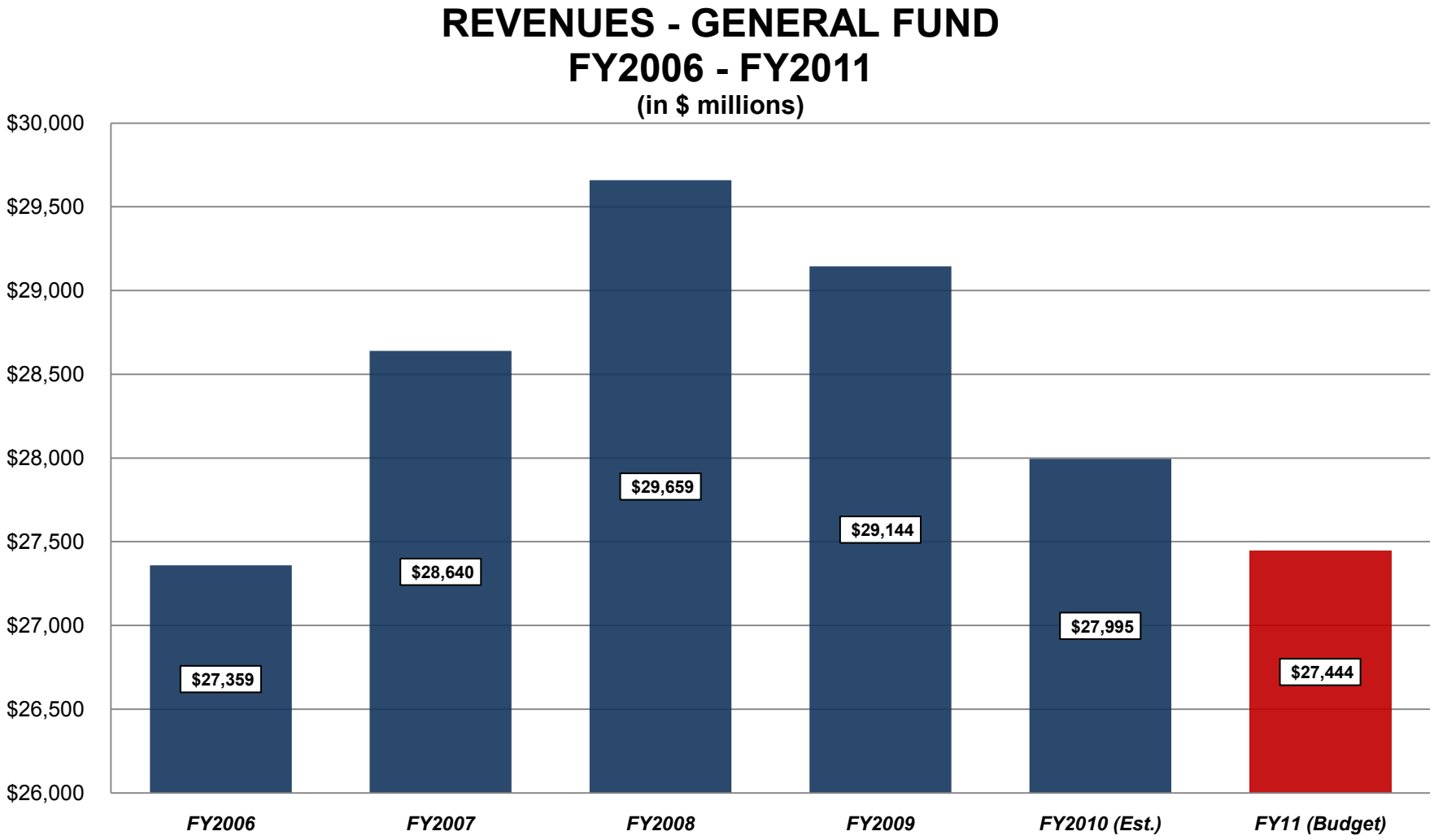
"My daughter has been out of work for 10 months - she wants very much to work but cannot find a job."
- ***Anonymous, Rock Island***

$13 Billion Deficit

- Structural deficit
- Skyrocketing pension costs
- Plummeting revenues
- Unpaid bills

Immediate action is required.

THE REVENUE PICTURE



Source: Governor's Office of Management and Budget

LISTENING TO YOU

- Reformed budget process
- Bi-partisan budget retreat
- Transparency and e-democracy
- Illinois' first-ever interactive budget website
  - budget.illinois.gov
  - More than 12,000 comments to date

YOU SPOKE UP

"Cut as much as can be with a vision of a future state as being able to function effectively."
-Larry, Concord

"The state Medicaid system has to be reformed by reducing eligibility for care and by reducing costs using a managed care system."
-Tom, Peoria

"All of us out in the 'real world' have to scale down our spending. If you don't have the money to spend, don't spend. These are very bad economic times and we all should scale back, and that includes the State of Illinois."
-Karen, McHenry

"Affordable higher education must be accessible to the middle class for the citizens of Illinois to maintain and improve their quality of life."
-Eric, Naperville

"Create jobs and eliminate unemployment, and bring new people to Illinois looking for jobs and spending their money here."
-Bill, Oak Park

"Lobby the Federal Government (White House, Senate, House) to offer low-interest loans to State governments."
-Bernard, Chicago

FIVE PILLARS OF RECOVERY

- Creating Jobs
- Cutting Costs
- Strategic Borrowing
- Continued Federal Assistance
- Increased State Revenues

It will take all five of these strategies to solve our fiscal crisis.

CREATING JOBS

Illinois is working to create jobs.

- 63 investment packages have created or retained nearly 12,000 jobs and generated over $1.2 billion in private investment since January 2009.
  - 1,200 new Ford jobs
  - 3,000 UPS jobs saved
- $1.2 billion in federal high speed rail funding will create 6,000 jobs.
- ARRA-backed construction created thousands of jobs.
- Illinois continues to be top exporting state in Midwest.

CREATING JOBS

This will be the biggest construction season in Illinois history.

More than $6 billion in projects will be underway.*

Tens of thousands of people will build Illinois roads, bridges, highways and schools.

*Assumes approval of $1.1 billion capital appropriation.

CREATING JOBS

"Create an environment to attract new businesses and provide incentives for business expansion."
-Buford, Mattoon

"…encourage small businesses to add jobs with incentive programs."
-Frederic, Roscoe

Small Business Job Creation Tax Credit

- $2,500 tax credit for each full-time job a small business creates over the next year.
- Will help create 20,000 jobs for businesses with 50 or fewer employees.

FISCAL YEAR 2011 BUDGET CUTS

"...limit state paid and/or reimbursed travel for state employees."
- ***Kevin, Jerseyville***

"As a State of Illinois employee I am willing to take a furlough day once a month for the next year."
-Rosa, Chicago

State Employees - $203 Million

- Furlough days
- Renegotiated employee contracts
- Employee health insurance savings
- Additional travel restrictions

FISCAL YEAR 2011 BUDGET CUTS

"I would like to suggest that all contracts that are in place should be re-evaluated."
- ***Raul, Chicago***

"The state needs to define what its core responsibilities are by prioritizing its obligations and looking at the constitution."
-Chris, Wheaton

State Operations

- Review, reduce or re-bid all contracts over $1 million
- Historic procurement reform
- State office space consolidation

FISCAL YEAR 2011 BUDGET CUTS

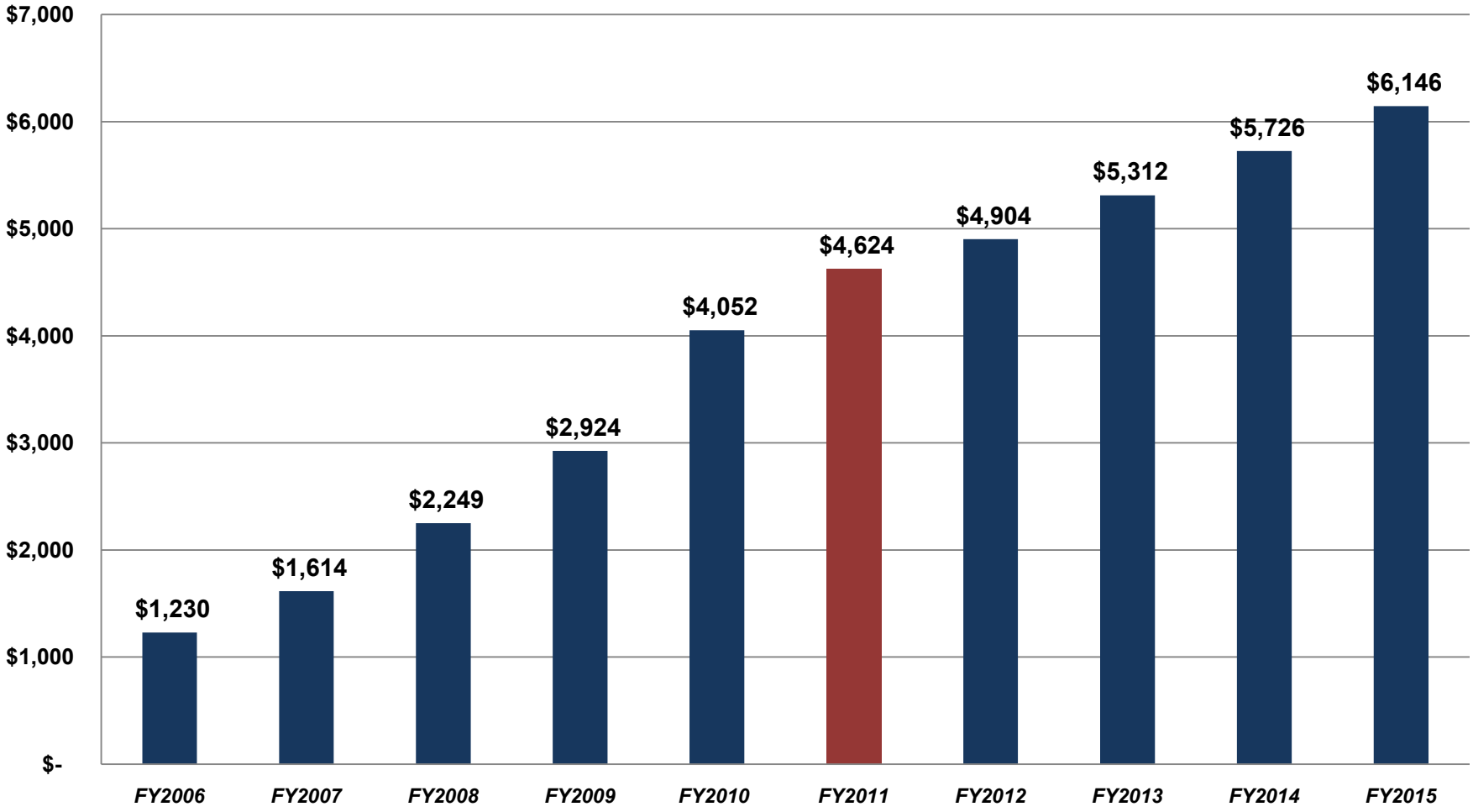
"Enact meaningful public pension reform."
- *Tom, Naperville*

"I believe we need to restructure the current state pension plans for future employees."
- *Carl, Romeoville*

Pension Stabilization

- Pension costs are growing significantly.
- Stabilization will provide a sustainable foundation.
- Approximately $300 million in first-year savings.

REQUIRED STATE PENSION CONTRIBUTION



* FY2010 General Fund Pension Contribution was largely financed by issuance of $3,466 million in Pension Obligation Notes.
** FY2006-FY2015 includes debt service on 2003 Pension Obligation Bonds .
*** Figures do not reflect proposed pension stabilization.

FISCAL YEAR 2011 BUDGET CUTS

"Reduce the state subsidies to local government."
-Anonymous, Arlington Heights

"Eliminate local subsidies to local governments..."
-Harold, Vernon Hills

"...individuals have been forced to cut their budgets and get by with less. Why is it that government feels they should be immune..."
-Robert, Mt. Prospect

Local Governments - $300 Million

- Local government income tax distributive share decreases from 10 percent to seven percent.

FISCAL YEAR 2011 BUDGET CUTS

Human Services - $276 Million

- Home Care for older adults
- Child Care
- Community mental health services

FISCAL YEAR 2011 BUDGET CUTS

"Some sort of managed care plan should be mandated..."
- ***Anonymous, Champaign***

"...make retired state workers pay for health insurance."
-Stephen, DeKalb

Health - $325 Million

- Prescription drug assistance
- Retiree group health
- Managed Care – launching a pilot program for seniors and adults with disabilities.

FISCAL YEAR 2011 BUDGET CUTS

Performance Metrics

State is implementing new and rigorous performance metrics.

- Improved accountability and performance
- More efficient and effective programs
- New web-based system for collecting and reporting performance updates

FISCAL YEAR 2011 BUDGET CUTS

Unified Budgeting

- The state is instituting a new budgeting model to better serve vulnerable populations.
- State agencies will transfer funds as necessary to assure older adults and people with disabilities are served in the most appropriate setting.
- Ensures the most efficient delivery of high quality institutional and home care services.

FISCAL YEAR 2011 BUDGET CUTS

Education - $1.3 Billion

- General State Aid
- Special Education
- Student Transportation
- Grants
- Universities

STRATEGIC BORROWING

"The state owes my company an invoice since November."
-Lynn, Belvidere

"We have not been paid for the last 4 months and predictions are that we will not be paid for another 2-3 months. We are a non-profit agency that cannot continue to borrow to make our payroll and pay our vendors."
-Susan, Peoria

- Strategic, low-interest borrowing is a sound financial tool.
- Borrowing helps ensure timely payments to our schools and providers. Example:
  - March $250 million borrowing for the healthcare provider relief fund will generate an additional $400 million in federal funds.

FEDERAL ASSISTANCE

- State receives 62 percent Medicaid reimbursement that could decrease to 50 percent on December 31 – we are fighting for a federal extension.
- $1 billion in federal funds for education is set to expire at the end of the school year.
- Finalist in the U.S. Department of Education's 'Race to the Top' grant program - funds must be used to implement education reforms.

ONE PERCENT FOR EDUCATION

"I would favor an increase in the state income tax if that is what it takes to preserve the future for our children and grandchildren."
- Don, Oak Park

"If the state isn't willing to put education as a priority, then how is anyone else supposed to?"
- Teacher, Danville

- 1 percent tax surcharge for education will raise $3 billion.
- Stabilize funding for education.
- Allow Illinois to implement meaningful reforms and strengthen our position for Race to the Top awards.
- Pay schools and universities the money that they are owed.

CONSEQUENCES OF INACTION

- Unprecedented Cuts
- Massive Layoffs
- Erosion of Investor Confidence
- Loss of Public Confidence

FIVE PILLARS OF RECOVERY

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