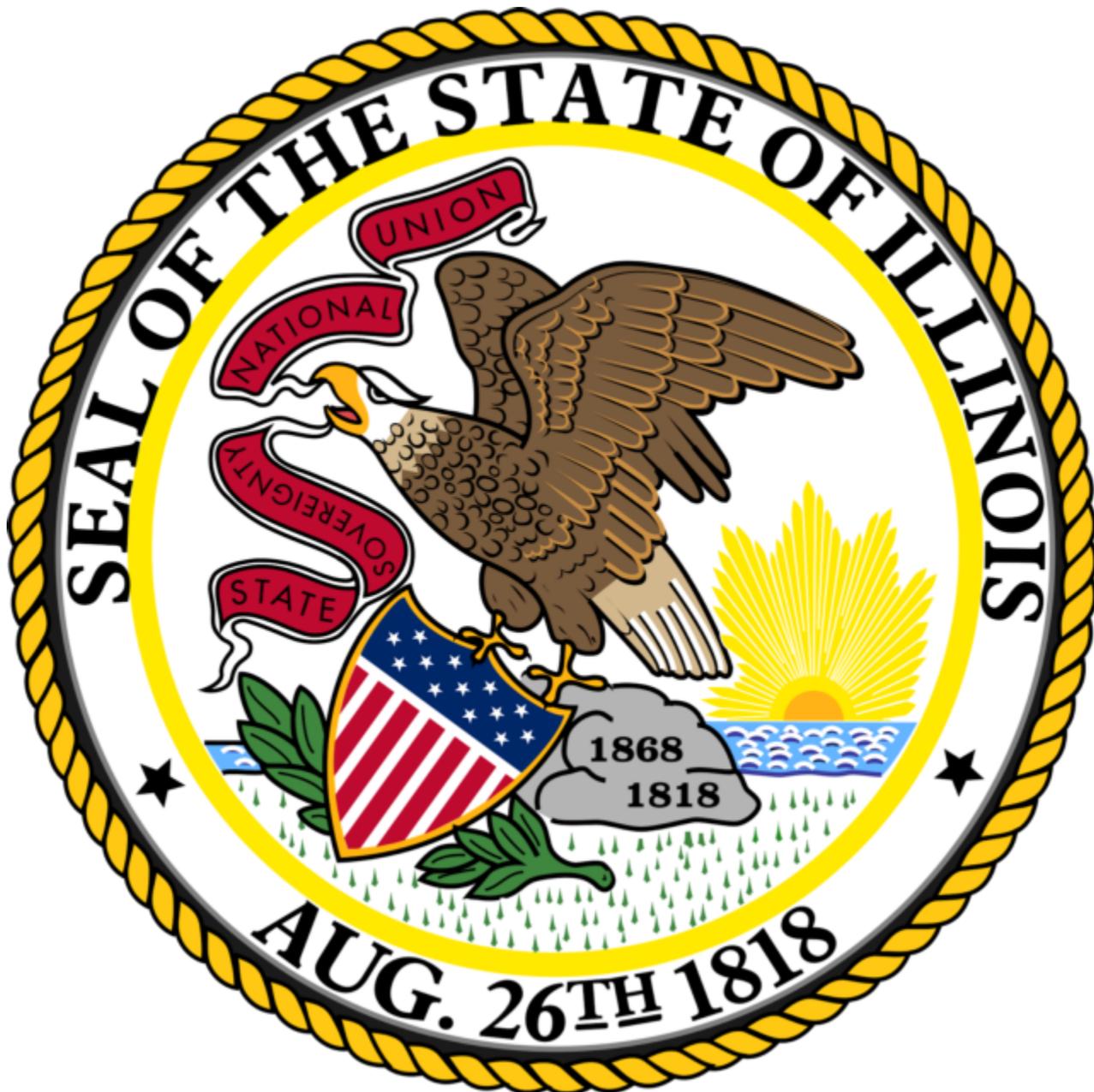


Letter to GOP caucuses replies to fiscal year in review

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From: Tim Nuding, Director, Governor's Office of Management and Budget Mitch Holzrichter, Deputy Chief of Staff for Legislative Affairs

To: Republican Members of the House of Representatives and Senate Date: July 14, 2016

Fiscal Year 2016 in Review – Holding Strong for Taxpayers

Illinois state government has been overspending and overpromising for years. Rather than confront the State's deteriorating fiscal condition, prior governors and General Assemblies, controlled by Democrat supermajorities, just kicked the can farther down the road. They bandaged over our fiscal problems with unbalanced budgets, borrowed funds, and tax increases, resulting in record backlogs of unpaid bills and more than \$100 billion in unfunded pension liabilities.

But during the last fiscal year, Governor Rauner and Republicans in the legislature changed the dynamic in Springfield by placing a renewed emphasis on the taxpayer as a key stakeholder in state government. From July 1, 2015 to June 30, 2016, Governor Rauner and Republicans in the legislature:

- **Defeated the Democrat supermajority FY 2017 spending plan that would have raised personal income tax rates to more than 5.5%** - The House Democrats' \$40 billion spending plan for FY 2017 was more than \$7 billion out of balance and would have required crushing tax increases to pay for all of its
- **Sustained a veto of the Democrat supermajority's FY 2016 out-of-balance budget** – The Democrats' FY 2016 budget was out of balance by more than \$4 billion. The State could not afford that level of deficit
- **Blocked repeated attempts by the Democrat supermajority to force a \$3 billion tax hike on Illinois families to fund additional generous perks and benefits for government employees** – The employee union, AFSCME, has made contract demands that the State cannot afford and would cost taxpayers an additional \$3 billion. The Democrats twice passed legislation, which the Governor vetoed, to require the State to submit the current AFSCME contract negotiations to arbitration and force the State into accepting AFSCME's
- **Blocked the Democrat supermajority's attempt to bailout Chicago with an additional \$400 million in taxpayer funds** – The Democrats' proposal to bail out Chicago Public Schools would have cost an additional \$400 million that the State

could not afford. By standing strong, the Governor and Republicans in the legislature were successful in passing legislation to keep schools open and increase school funding statewide, without a Chicago

- **Linked the latest bridge funding plan to comprehensive pension reform, forcing the Democrat supermajority to negotiate over this and other structural reforms proposed by the Governor** – These reforms could save taxpayers billions of dollars for years to come and lower the tax burden on hardworking

Had the supermajority successfully enacted these measures, taxpayers would have been crushed by a massive tax increase. By partnering together, our opposition to unbalanced budgets and refusal to raise taxes without reforms allowed Illinois taxpayers to keep at least \$7 billion in their own pockets. That's \$7 billion they would otherwise have paid to grow state government.

While standing together against years of reckless fiscal policies took great effort, our administration continued doing all we can to improve state government. Throughout the last year, we:

- Signed agreements with 18 labor unions that will save taxpayers money while providing a fair deal for state
- Saved more than \$800 million in state spending by improving the management of state agencies, revamping and reworking state programs, and updating technologies and procedures to increase efficiencies.
- Provided record funding for elementary and secondary schools statewide. Our plan fully funds the foundation level, ended the unfair practice of proration for the first time in seven years to ensure that no school receives less funding that it did last year, and provides a new poverty grant to help those students most in
- Reformed the EDGE tax credit program to eliminate “special” deals and only provide credits for actual job
- Banned the revolving door of state officials becoming lobbyists to make money off the programs they
- Launched a comprehensive review of Illinois police procedures, and other states’ best practices, for handling use of deadly force between officers and community
- Began the process to sell the James R. Thompson

- Implemented fraud reduction efforts that prevented \$188 million in improper unemployment insurance
- Took action at the Department of Health and Family Services to net state taxpayers more than \$250 million by improving redetermination and rightsizing the entities providing care coordination.
- Reduced the number of youth in shelter care and residential treatment centers in the care of the Department of Children and Family
- Launched a Health and Human Services transformation to break down information and data silos between state agencies, with a focus on moving Illinois residents in the care of the state from institutional settings to community-based

The Rauner administration has taken action to improve state government where possible. But as we know, the legislature continues to block other major reforms to help our economy grow and turnaround Illinois. Key reforms proposed by the Governor but blocked by the supermajority include:

- Term limits on state
- Curbing lobbyist gifts to legislators and ending the legislator-lobbyist revolving
- Local control of government costs that send our property taxes
- Ending fraud and abuse in our workers' compensation system and curbing lawsuit abuse to make Illinois friendlier to job creation and economic
- Reforms to lower the costs of government procurement, saving taxpayers

In the end, we will never truly change the direction of our state until we pass a balanced budget tied to major structural reforms that grow our economy and reduce government spending.