

Proposal from Pension-Reform Committee Faces Major Obstacles

Written by Rich Miller

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Several members of the Illinois General Assembly's special pension-reform committee told me last week that they believed a final proposal would emerge within the next week to 10 days.

The conference committee has been working on a solution to the state's pension problems since June, after urgings by Governor Pat Quinn to find a way around the spring legislative session's pension-reform gridlock. For the past several weeks, the committee – made up of three Democrats and two Republicans from each chamber – has been working on “tweaks” to ideas they've discussed behind closed doors.

As I write this, there was no word on what the final proposal will look like, but there is real concern among Democrats I spoke with that the Republicans might decide not to go along. While the Republicans appointed to the committee have strongly indicated they were committed to finding a solution, three of the four are running for higher office: Senator Bill Brady (governor), Representative Jil Tracy (lieutenant governor), and Representative Darlene Senger (U.S. House).

The Democrats fear that any strong objections from traditional Republican allies, particularly in big business, could spook those GOP members into opposition. And, as is usually the case with this sort of stuff, the chaos created by no solution could be far more politically beneficial to the Republicans in next year's election than getting this monster off the table right now.

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Despite their super-majority status, it'll be impossible for the Democrats to pass a reform bill without significant Republican assistance. Democratic members are just too closely allied with union interests. Plus, as long as there is no pension-reform proposal for Chicago (and none is on the horizon), Mayor Rahm Emanuel has little to no incentive to lobby his Democratic members to pass a bill, and billions of dollars in budgetary reasons to very quietly oppose it until he gets what he wants.

In the House, a majority of Republicans sided with the public-employee unions last spring when they voted against Speaker Michael Madigan's pension-reform bill. The bill passed with just two votes above the bare majority, so there are few to spare. And while Madigan probably has some votes in his back pocket that he can bring out to cushion the roll call a little more (depending on what Emanuel does, of course), it's doubtful that any of the House Republican "no" votes will flip to "yes" once the compromise is unveiled. That means that pretty much all of the Republicans in that chamber who voted for the business-backed Madigan bill in May will have to vote for the pension-reform conference committee's report when it gets a vote, likely during the veto session.

Aside from the politics, there are some legitimate concerns being raised by Republicans about what they know of the proposal so far. One big problem some have is that the savings assumptions are based on what they believe is a too-low inflation-rate projection. Despite three straight decades of low inflation, there are those who insist that a wave of high inflation could return with a vengeance, blowing the savings projections out of the water.

Another concern is the back-loaded nature of the savings. About \$94 billion of the \$146 billion the bill is projected to save the state will occur between fiscal years 2045 and 2050. It'll be tough to allow most of the income-tax hike to expire in 2015 if more savings can't be found up-front.

The details leaked so far add up to a savings of \$1.14 billion in Fiscal Year 2015, which is not nearly enough to ensure that crucial programs could be spared from the ax if most of the tax hike goes away. And, make no mistake, that income-tax hike expiration is the reason behind much of the public demands by business groups for cutting the pension benefits of state workers, teachers, and university employees.

About the only recourse the Democrats will have to prevent this from getting out of hand is to threaten to run the Senate-passed, labor-backed reform bill opposed by business if Republicans

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refuse to go along with a compromise. Indeed, that possibility is already being floated. Such a vote would get the unions off the Democrats' backs, and the GOP most certainly knows this. The vote wouldn't stop the demands for more reform, however, and the New York ratings agencies might not love it, either, and the Democrats clearly know this, as well. So we could end up with a high-stakes game of chicken next month.

Rich Miller also publishes Capitol Fax (a daily political newsletter) and CapitolFax.com.