

## Why Quinn Needs the Pension-Reform Deal to Pass

Written by Rich Miller

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Last week, the four Illinois legislative leaders announced a deal on a long-awaited and much-anticipated pension-reform bill.

Other than the obvious fact that pension payments are diverting billions of dollars from other state programs such as education and human services, Governor Pat Quinn really wants this proposal passed before the end of the year for a couple of reasons – both political. The House and Senate are expected to vote on the proposal this week.

Illinois statute requires the governor to propose a new budget based on existing statutes. In the past, governors would almost always say they'd balance the budget if a new tax or fee were passed, or if funds were transferred or programs were legislatively changed. That's no longer permitted.

Quinn's Fiscal Year 2015 budget address is scheduled for February 19. If a pension-reform bill is passed and signed into law by the end of the year, it won't take effect until June 1. That's after the budget address but before the start of the new fiscal year. So Quinn could still use the proposal's expected savings when he introduces his budget.

And that's important because most of the temporary income-tax increase expires in the middle of the coming fiscal year, which will blow a more-than-\$3-billion hole in Quinn's budget. And that means Quinn will be forced to introduce a budget that makes huge cuts if pension reform doesn't pass.

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If pension reform passes by the end of the year, the savings – which could be as high as \$1.8 billion in the first year – can legally be used to “balance” Quinn’s introduced budget. With a strong revenue forecast, it’s possible that the coming year’s revenues could almost cover the remaining hole from the tax-hike expiration.

That doesn’t mean, however, that Illinois’ finances would be in the clear. If past is prologue, a court will either set aside the new pension law while its constitutionality is adjudicated or (perhaps more likely) require that any savings produced by the law be placed into an escrow account. If that happens, then legislators and Quinn will have to deal with a new hole.

The responsible thing to do, of course, would be to not include the pension-reform savings in a new budget if the bill is passed. But that would mean proposing a budget that slashes education and human services to the bone, and what governor wants to do that ever – let alone in an election year?

And that brings us to the second reason.

The state pension systems are in dire straits because the state has never made enough contributions to the systems. For proof, just look at municipalities outside Chicago, which are required to make full payments. The Illinois Municipal Retirement Fund is very close to being fully funded. No crisis at all.

Quinn and the legislative leaders have long pushed for a funding guarantee to make sure that the state doesn’t skip its payments again. That’s part of the pension-reform deal announced last week.

But Republican gubernatorial candidate Bruce Rauner, who now leads the GOP-primary field in two recent polls, is dead set against a funding guarantee.

Does Rauner really want the state to have the flexibility to skip pension payments again, which

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could lead to even more problems down the road? Well, there's something else going on here.

Rauner wants a complete revamp of the pension system. He'd immediately put employees into a 401(k) plan instead. The funding-guarantee issue is mainly just Rauner's attempt to derail the pension deal.

If pension reform is passed this year, it's doubtful that legislators will want to revisit it unless the courts strike it down as unconstitutional. And because the proposal has support from the most powerful Republicans in the Illinois General Assembly, it would further be uncomfortable for Rauner to continue his harangues against the compromise over the next year.

So since Quinn could end up facing Rauner in the general election, defeating the wealthy Republican on the legislative battlefield now would take some air out of his well-funded campaign down the road.

Passing this bill, in other words, is a must-have "twofer" for Quinn.

*Rich Miller also publishes Capitol Fax (a daily political newsletter) and [CapitolFax.com](http://CapitolFax.com).*