Written by Andrew Mason Monday, 27 February 2012 14:38

Reduces Discretionary Spending to Below 2008 Levels; Cuts FY2013 Agency Spending by \$425M

SPRINGFIELD - February 22, 2012. Governor Pat Quinn today delivered his fiscal year 2013 budget address to the Illinois General Assembly, a plan for budget stability through major reductions and efficiencies, pension and Medicaid stabilization, fundamental tax reform and jobs and economic growth. The Governor proposed a budget that takes necessary steps to restore fiscal stability to Illinois, ensure job growth and a strong education for children across the state.

"The truth is that over the past 35 years, too many governors and members of the General Assembly have clung to budget fantasies rather than confronting hard realities, especially when it comes to our pension and Medicaid investments," Governor Quinn said. "Today I am proposing a budget that includes serious spending reductions and major reforms in order to restore fiscal stability to our state and build and grow our economy."

The Governor's budget has reduced discretionary spending to below 2008 levels. Agency spending has been cut by more than \$425M since Fiscal Year 2012. Governor Quinn's introduced budget is based upon Budgeting for Results. The new budgeting process ensures that the proposed budget is based on existing revenues, funding policy priorities that are most important to helping move Illinois forward and ensuring that taxpayer dollars are spent wisely.

Spending Reductions and Efficiencies

Since taking office, Governor Quinn has significantly reduced discretionary spending, achieving more reductions than any Governor in recent memory. In 2008, general funds were \$25.7 billion. The Governor's introduced budget of \$24.8 billion is a 3.6 percent decrease, bringing general funds below 2008 levels. The Governor is calling for most agency budgets to be reduced by at least 9 percent. The Governor cut his own budget by 9 percent and asked all constitutional officers to do the same.

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Under Governor Quinn, the state has already realized close to \$200 million in annual savings by reducing the number of state employees by more than 2,200 since January of 2009. Today, the Governor announced plans to further reduce state employee headcount by more than 700.

The state has consolidated and eliminated lease space, primarily in the Chicago area, saving more than \$43 million with more savings expected during fiscal year 2013. At Governor Quinn's direction, a number of state agencies will reduce or consolidate facilities. During the coming year, 59 state facilities, offices, garages and other governmental buildings will close

Pension and Medicaid Stabilization

The state's pension and Medicaid systems are the greatest financial pressure on Illinois' budget, and limit the ability to provide core services that people throughout the state depend upon.

For decades, the necessary payments were not made to the pension system, and increased benefits were promised without sufficient revenue to pay for those benefits. As a result, Illinois' pension system is now under-funded by \$83 billion. For the past three years, Governor Quinn has paid exactly what the law required into the pension system.

To address Illinois' unfunded liability, Governor Quinn has convened a working group to deliver a proposal by April 17 to repair the state's pension systems. At the Governor's direction, everything is on the table including historical funding practices, employer contributions, employee contributions, the retirement age and the cost of living adjustment.

The Governor and his administration have also developed a roadmap for Medicaid restructuring. Today, the Governor pledged that his administration will work with the General Assembly to find a combination of liability reductions, modernized eligibility standards, utilization controls, rate reduction and reform, acceleration of integrated managed care, and coordination of long-term care programs to manage Medicaid spending.

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Last year's Medicaid appropriation fell nearly \$2 billion short, which means that at the end of this fiscal year, the state will owe \$1.9 billion in unpaid Medicaid bills. The combination of Medicaid bills deferred to future years, the expiration of federal stimulus, enrollment growth resulting from the recession and Illinois' fee-for-service system has led to unsustainable growth in Medicaid spending. The Governor has therefore proposed cutting \$2.7 billion in order to ensure that the state's Medicaid program can be returned to sustainability and continue delivering essential medical services for those that need them.

# Rebalancing

Governor Quinn also reaffirmed his commitment to rebalancing the way Illinois cares for individuals with developmental disabilities and mental illness to improve their quality of life. The FY 13 budget includes funding to ensure smooth transitions and coordinated care as individuals move from costly institutions to supportive community settings.

The Governor today announced plans to close two additional centers, Murray Developmental Center and Singer Mental Health Center, over the course of the next fiscal year. Through this rebalancing process, the administration will comply with all consent decrees, provide individualized care and ultimately achieve savings for the state.

#### Tax Reform

For far too long, the Illinois Revenue Code has included many loopholes that are based on politics – not economics. Today, Governor Quinn directed a thorough search of the Illinois Revenue Code for unnecessary loopholes that do not efficiently support jobs and economic growth.

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The Governor has instructed Revenue Director, Brian Hamer to meet with legislative leaders of both houses and parties to identify and close unfair loopholes. Loophole revenue can be used to pay down the state's backlog of bills and provide targeted tax relief for hard-working families and businesses.

Investing in Education

In today's budget address, Governor Quinn reiterated his commitment to education, jobs and economic growth. To move Illinois forward, we must ensure that we are providing all Illinois students with a high-quality education and preparing our workers for the jobs of today and tomorrow.

The Governor's budget maintains funding for K-12 and higher education. In addition, the state will increase early childhood funding by \$20 million. The Monetary Award Program (MAP), which provides college scholarships for needy students, will also see a funding increase of more than \$50 million during fiscal year 2013 to help deserving students achieve higher degrees.

For more information and copies of Governor Quinn's operating and capital budget proposals for fiscal year 2013, please visit www.Budget.Illinois.gov.

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