



OFFICE OF THE GOVERNOR
BRUCE RAUNER

Wednesday, February 15, 2017

2017 Budget Address
As prepared for delivery

Good afternoon:

President Cullerton

Speaker Madigan

Leader Radogno

Leader Durkin

Lieutenant Governor Sanguinetti

Attorney General Madigan

Secretary White

Comptroller Mendoza

Treasurer Frerichs

Members of the General Assembly

Ladies and Gentlemen:

“The occasion is piled high with difficulty, and we must rise with the occasion... We must think anew and act anew.”

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Abraham Lincoln.

Two years ago, our first budget address began with these same words.

Though it’s taken us two years to get here, the events of recent weeks make clear that together, Democrats and Republicans are now thinking anew.

For the first time, legislators from both parties are standing together to say that Illinois must have structural change to grow our economy and create good jobs in every part of our state. That budgets must be truly balanced for the long term – and that to achieve balanced budgets, changes must be made to fix our broken system.

On this, we all now agree. And that is real progress.

But it's not enough to just think anew. We must also act anew.

For decades, our state passed unsustainable budgets, spent money we didn't have, borrowed and taxed to chase the spending... and drove job creators out of state.

Citizens in every community of Illinois know that we have been on the wrong track for years. The numbers speak for themselves.

Since 2000, America added more than 14 million jobs – while Illinois lost jobs. Our neighboring states of Wisconsin, Indiana, Iowa, Kentucky and Missouri added an average of more than 100 thousand jobs. They've been pulling ahead while we've been falling behind.

Our unbalanced budgets, our crushing tax burdens, our restrictive regulations – they've held back the Illinois economy for decades.

For years now, families in Illinois have been voting with their feet. In just six years, we've seen a migration loss of more than 540,000 residents. They're leaving for jobs, higher wages and lower costs of living.

If we had the right policies – if we'd made changes to fix our broken system – if we had just grown our economy at the national average, since 2000, we'd have 650,000 more jobs than we have today...

Think about that. Let me repeat that for emphasis. If Illinois were more competitive, if we had just grown Illinois' economy LIKE AN AVERAGE state, today, we would have 650,000 more jobs here.

Just as important for our budget, if we had grown at the national average since 2000, even with our actual historic spending, we would have run budget surpluses, we would not have any unpaid bill backlog now, and today we would have 8.5 BILLION dollars more in cash to put into our schools and human services and to reduce our tax rates.

Think about that. We would have good jobs in every community. We would have employers competing to hire workers. Our households would have more income. And we could have the best funded schools in America.

And let's be clear, Illinois should never settle for being average. We should be one of the ten fastest growing states in America. We have the best people, the best location, the best agriculture, the best transportation, the heart of America – we have every reason to thrive.

We can do this together.

It's why I ran for governor. To deliver a better future for our children ... To change the direction of our state... to put us back on the right path – toward a growing economy, world class schools and restored trust in government.

It's why we've been working for two years to pass a truly balanced budget, to create equal access to strong schools and good jobs.

For two years now, we've been asking the General Assembly to help us unlock our state's unfulfilled potential. And today, we finally all agree that economic reforms must be part of a balanced budget solution.

Now is the time to seize the moment – build on the progress made in recent weeks – and right our ship of state. Together, we can make Illinois more competitive and more compassionate. We can make the necessary changes to fix our broken system.

Two years ago, our Administration proposed a balanced budget. It contained more than \$6 billion in cuts, spending only what the state could afford at current revenue. But the majority in the General Assembly simply ignored our budget proposal, didn't discuss it, debate it or vote on it – just passed their own \$4 billion out-of-balance budget. And so our current impasse began.

Then we offered to work with members of the General Assembly to find common ground on a mix of cuts, revenue increases and reform. We convened bipartisan working groups, doing our best to find a way forward together. But the possibility of compromise fell victim to partisan divides.

Last year, we proposed two paths to a balanced budget – two very different financial plans under which expenditures would not exceed available revenue. Our preferred option was once again to work together to reach consensus on a mix of spending cuts, revenue increases and changes to grow our economy. We offered more compromises. We took things off the table in hopes of getting an agreement.

Our Budget Director convened a bipartisan working group to craft a balanced budget. Thank you to the courageous and principled members of the General Assembly - Democrats and Republicans in both chambers - who worked together to find a grand bargain. They nearly reached an agreement last spring. But once again, the possibility of compromise fell victim to partisan divides. By the end of the last legislative session, the majority in the General Assembly couldn't agree on any kind of budget – balanced or not.

This isn't about pointing fingers or assigning blame. We are where we are. It's not about the past; it's about how we move forward together. It's not going to help us move forward if right after this speech, Democrats run to the media claiming we've never proposed a plan to balance the budget. And it's not going to help us move forward if Republicans run to the media to point out that the Democratic legislature's never passed a balanced budget.

People want to see us get something done – to get a balanced budget to change our broken system. To grow more jobs and better support our schools so they're the best in America.

So today, we are here once again with our hand outstretched to the Leaders and members of the General Assembly. Between ongoing budget negotiations in the Senate and all of our leaders acknowledging the need for change, there is good reason for optimism.

Now is the time to take the next step and get the job done.

Some people argue we should just cut our way out of our budget problems. Others believe we should simply raise taxes and declare the budget crisis solved.

But we can't tax our way to prosperity. Nor can we just cut our way to a better future. We must grow our way to the future we want. Growth is the solution. Growth means jobs. Growth means expanding revenues. Growth means the economy expands faster than government spending. Growth means a sustainable future where job creation surges and our schools are the envy of the world.

Some people think spending cuts are too hard, that economic changes are too difficult. Just raise taxes and call it a day. Let's be clear. We cannot tax our way to a long-term balanced budget.

Illinois residents and job creators are already saddled with the highest property taxes and the 5th highest overall tax burden in the nation. We've tried raising taxes to balance the budget before, without making structural changes to control spending and grow the economy. It has never worked. Taxing our way to a balanced budget would only hasten the exodus of jobs and families from Illinois – an unacceptable option for members of both parties.

I've repeatedly said that I will consider revenue increases if we stand together to make the job-creating changes we need. But structural changes to spending are absolutely essential to balance the budget, and to keep it balanced.

Today, over 60% of the state's general revenues – roughly \$20 billion – are locked up by statute. No Governor can effectively reduce spending until we address automatic spending categories like pensions, Medicaid and transfers out.

Ultimately, it's all about jobs. Our future depends on offering strong schools and vast job opportunities across our state. By becoming more competitive with our neighbors. By creating good jobs not only in Chicago, but in Rockford, Moline, Peoria, Decatur, Galesburg, Quincy, Carbondale and every community in between. By giving families and job creators good reason to come, and stay, in Illinois.

If we do those things, if we grow our economy, if we become more competitive, more attractive - Illinois will see immediate results, and our state will be a destination for families and employers from across the country and around the world.

Today we present you with a balanced budget that shows what is possible if we all come together on a comprehensive approach to state finances and job creation. Our proposal for the coming fiscal year focuses on the future.

It shows how Illinois can be more compassionate if we become more competitive. While proposing economic changes, it also focuses on the fabric of our society – investing in schools, public safety, criminal justice reform and human services.

We propose a record level of funding for our schools. We supported our K-12 schools at an unprecedented level in the last school year, and then we came back and did even more for this school year. Let's begin to implement the recommendations of the school funding

reform commission to make sure every child gets a shot at the American dream, no matter where they live. Let's increase our general state aid and funding to other programs that benefit all schools. Education is the cornerstone of our future and this investment will pay great dividends in the long run.

We propose that for the first time since 2010, the state fully fund regular transportation costs for schools around the state – enabling them to get kids to and from career and technical education programs. School districts shouldn't have to scramble to find a way to pay for transportation costs. Our budget ends this proration once and for all.

Our proposal increases funding for English learners and early childhood education. And it maximizes important federal dollars that build technology infrastructure in our schools. When it comes to higher education, we understand the hardship being felt by students who rely on state assistance to go to college. That's why we're proposing a 10 percent increase to MAP Grant funding – so those students can focus on learning, and not their next tuition bill.

Our budget prioritizes public safety and proposes funding for two Illinois State Police cadet classes, adding new troopers to our law enforcement ranks. Those officers will allow us to send more patrols to the Chicago area expressways to counter the violence that has spilled over on to the highways.

Today we are fortunate to be joined by Illinois State Police Director Leo Schmitz, and Captain Chris Campbell and Lt. Freddie Outlaw of the Illinois State Police Academy. Please join me in thanking them for their great service to our state!

We recognize the growing danger of opioid abuse across our state. And we highlight the need for a comprehensive strategy: prevention, interdiction and treatment; education, law enforcement and human services. State, local and federal partnerships. This is a crisis – and we need to confront it head on before we lose more young lives.

We look to build upon our recent accomplishments with Criminal Justice Reform. We propose full funding for the Kewanee and Murphysboro Correctional life skills and reentry centers so that they can offer educational and job readiness courses to help better prepare offenders to leave custody and find jobs, live on their own, and get a second chance in life.

We fully fund mental health facilities in Joliet and Elgin...and provide the necessary support for residential treatment centers in Pontiac, Logan and Dixon.

We know the challenges facing human services ... that is why our proposal increases support for Child Care and other programs that assist children, senior citizens, and our other most vulnerable residents.

We continue to support our efforts to reduce childrens' exposure to lead in paint and drinking water and financially support those efforts.

We recommend full funding for home visiting and early intervention programs. We propose a continued transformation of the Department of Children and Family Services by hiring additional employees to work solely on child protection investigations and compliance monitoring of programs.

And we look to strengthen services for the men and women who have put their lives on the line for our nation by delivering start-up funding for a new Illinois Veterans Home in Chicago.

Our transportation network is one of Illinois' greatest assets, and it is a primary reason why job creators choose to make our state home. This year we propose increasing the road program at the Illinois Department of Transportation by \$200 million, so that we can continue to be a leader in moving people and products throughout our nation and reinforce the message that Illinois is a great place to invest and expand.

At the same time, we look to fund long-overdue maintenance and repairs at state facilities...and invest in our technology transformation to ensure that state government becomes more efficient, responsive and transparent for the people we serve.

Our spending proposals are significant, but if we came together under our proposal, if we came together on a grand bargain, we'd actually spend \$3 billion less than government is currently spending.

In order to achieve those results, we propose a number of changes inside state government to improve services and save taxpayer money.

Pension reforms, in addition to President Cullerton's consideration model, can save us a billion dollars right off the bat. A new hybrid pension Tier III plan could give new employees more options while saving the state money.

If we do nothing, we can expect our pension costs to grow by \$1 billion in just the next year. Those payments put an unsustainable strain not only on our pension systems, but on the state's ability to pay for our schools and other critical services.

We must act, and time is of the essence.

We will continue to pursue improvements in our state employee contracts – to make reasonable changes like moving state employees from a 37.5-hour to a 40-hour work week before overtime kicks in. And we'll base employee pay on merit, not just seniority. We have successfully negotiated contracts with similar parameters with 20 Labor Unions in the state, and we'll continue to seek these common-sense changes throughout state government.

We must address the accelerating cost of state employee and retiree health insurance.

Most Illinois families have seen their health insurance premiums skyrocket. Business owners across the country are forced to make hard decisions to manage soaring health costs. So imagine what Illinois families think when they hear our state employees get "Cadillac platinum" coverage for barely more than bronze rates.

We cannot continue to ask taxpayers to pay more to subsidize state employee health care – when they're seeing their own premiums go up and coverage go down.

Our state employees should have health care options just like everyone else – and it is reasonable that they pay for those options in line with everyone else.

Bringing the state employee health insurance program more in line with the private sector would save our state half a billion dollars.

There are other opportunities for budget savings. We need to cut the red tape in how the state buys goods and services. It's time to implement best practices and take advantage of cooperative purchasing opportunities to ensure taxpayers get the biggest bang for their buck. Procurement reform could save us hundreds of millions next year alone.

Together, we can move forward with selling the James R. Thompson Center. The JRTC occupies an entire city block of prime real estate in the Chicago Loop. For years, the State has failed to properly maintain the building; and now we face deferred maintenance costs in the hundreds of millions of dollars. Everyone benefits from the sale. The city of Chicago stands to gain major new property tax revenue, along with the jobs that come with a massive development. The state could see a net gain of over \$200 million from the sale, helping us close the budget deficit in the next fiscal year.

Every day, we're implementing efficiencies in education, criminal justice, health and human service programs and information technology that improve outcomes and save us money.

Those savings are significant. Those efficiencies will make a difference. But **NOTHING** is more important than creating **MORE JOBS IN ILLINOIS**.

We've made our top priority clear from the beginning – driving real change to move the needle on job creation in our state. The only way to keep budgets balanced in the future is to ensure economic growth outpaces government spending growth. Together, let's look at each regulation we have, at every law we pass, and ask ourselves a simple question: how does this impact job creators? Is the benefit of this rule worth the cost in lost jobs? That's the essential question that can guide our decisions every day.

Job creators and relocation firms tell us that rooting out fraud and abuse from the worker's compensation system and getting highest-in-the-country property taxes under control are two of the most important ways to make Illinois more competitive. Very high workers' comp insurance costs in the private sector continue to drive businesses out of state – and in the public sector, they contribute to higher property taxes. Changes are necessary to attract employers and create new jobs.

And we will never stop working to get term limits and redistricting on the ballot in Illinois – to send a message to job creators across the country that our state is doing things differently than we have in the past.

These changes are necessary to producing long-term balanced budgets and long-term financial stability. They are **THE** items that can ensure Illinois not only survives, but thrives, for generations to come.

As we've said repeatedly, there is no one single bullet, no one single "must have," for our Administration. But for the future of our state, change must be real, not just a newspaper headline.

Senate President Cullerton, Leader Radogno and Senate lawmakers have shown tremendous leadership in bringing all parties together to find common ground on a combination of spending cuts, revenue, and changes that will create jobs and ensure long-term balanced budgets. Standing here three weeks ago, I encouraged them to keep working, to never give up...and they have done just that.

We've made a point of letting the Senate move forward... trying not to disrupt momentum. But I'd like to take a few minutes to help guide the negotiations to a place where Democrats and Republicans can reach agreement, and I can affirm my support for the package.

First and foremost: the final result must be a good deal for taxpayers and job creators: a grand bargain that truly balances the budget once and for all, and really moves the needle when it comes to job creation.

A good deal for taxpayers lays the foundation for balanced budgets for years to come. The budget must truly balance by the end of Fiscal Year 2018 – and it must balance in a way that doesn't send us right back into deficit a few years from now.

That means a hard cap on spending that forces state government to live within its means, balance the budget and pay off the state's debt. Spending reductions in the budget need to be real – not smoke and mirrors. Long-term pension reform needs to maximize savings in all pension systems.

As for revenue, we've always said that we'd consider revenue if it comes with changes that create jobs and grow the economy.

The current Senate proposal calls for a permanent increase in the income tax rate but offers only a temporary property tax freeze in exchange. That's just not fair to hard-working taxpayers across the state.

We need a permanent property tax freeze in Illinois, just like the one the House passed last month. Over time, as our economy grows and revenues expand, any increase in the income tax could be stepped down – dedicating future surpluses to taxpayers, not more government spending.

The current Senate proposal would expand the state's sales tax to cover everyday services, and raise taxes on food and drugs. We're open to a broader sales tax base to mirror neighboring states like Wisconsin, but let's make sure it's best for the people of Illinois, not for the lobbyists in Springfield. We cannot raise taxes on people's groceries and medicine – just as we cannot tax people's retirement incomes. We can find a way to balance the budget without hurting lower-income families and fixed-income seniors.

We must all support raising the earned income tax credit to help low-income families. And we must support making the research and development tax credit permanent to encourage innovation and job creation.

MOST IMPORTANTLY, a good deal for taxpayers comes with economic and regulatory changes that are significant enough for job creators to get excited about the future of Illinois.

Term limits get job creators excited. Passing term limits is one of the most important things we can do to send a positive recruiting message to job creators: “it’s a new day in Illinois, we’ve turned the corner.”

Workers comp changes get job creators excited. We must get our worker’s compensation costs in line with other states. We’re asking for a worker’s compensation system that matches Massachusetts. Massachusetts is a blue state with a strong middle class--and it’s growing.

Now, those parameters aren’t controversial– they’re right in line with what Democrats and Republicans have said they agree with. And while the Senate package is still evolving, it wouldn’t be that hard to reach a good deal for taxpayers.

I firmly believe that we can come to agreement on these issues. And I pledge to you that I will sign that good deal for taxpayers the minute it arrives at my desk.

This is now a question of political will. I’m know I’m willing-- I hope you are too.

As we discussed last month: Illinois faces incredible challenges. But those challenges also provide unprecedented opportunity.

We are at a crossroads. If we work together and make the right decisions now, the potential of our state is unlimited. Let’s put Illinois back on the road to prosperity. Let’s do what we were sent here to do.

Thank you. God bless each of you, God bless our great state of Illinois and may God continue to bless the United States of America.

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