



# MANUFACTURING A BUDGET RECOVERY

A Guide to Reinventing the Illinois State Budget

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# EXECUTIVE SUMMARY

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For at least five budgets in a row, Illinois State Government has annually spent more money than it received in tax revenues and federal aid. The result: budget deficits, pension liabilities, and an unfriendly economic and business environment.

It's time legislators insisted on a comprehensive review of all state government program spending, and a rollback of the *over-reaches* of past administrations before any consideration or discussion of tax or fee increases is undertaken.

Among the steps the General Assembly and the Governor can take to create a new, responsible spending blueprint that doesn't hinder Illinois' ability to recover from the recession are:

- 1) Implementing budget process reforms that empower individual legislators in budget deliberations in order to begin the process of restoring public trust.
- 2) Implementing a statewide employment and promotion freeze.
- 3) Implementing pension reform to stop the bleeding or red ink.
- 4) Addressing immediate school code reforms that should free educators to focus our K-12 schools on the principal of the student *first*.
- 5) Suspending *all* higher education tuition waiver programs; suspending sabbatical leaves; requiring state universities to report on average teaching loads; and reforming current campus funding formulas to reward improved efficiencies and staff productivity.
- 6) Rolling back Medicaid eligibility to the level prior to illegal actions taken by Gov. Blagojevich; beginning with a re-qualification program for enrollees; and convening a rate review with the participation of hospitals.
- 7) Reviewing the Supreme Court budget, and ask the Chief Justice whether the State Supreme Court still needs two separate chambers, or if Appellate judges need food services and lodgings. Asking the Supreme Court to make recommendations for changing judicial pay statutes that allow for productivity.
- 8) Requiring a comprehensive review and *justification* of Illinois' 1,750 plus state programs to determine what should be consolidated or eliminated.
- 9) Implementing capital contracting and procurement reforms that end project labor agreements, eliminate repair contracts from prevailing wage, and allow schools and local governments the freedom to select the lowest bidder.
- 10) Set the stage for recovery by fast tracking reforms to improve the employment environment in Illinois.

Recessions cause *creative destruction* in organizations, and force the review and reallocation of resources. Illinois taxpayers have the right to expect a thorough and thoughtful review of state government spending and the programs it supports.

Congress says it will accept no less than a sweeping reorganization of General Motors and Chrysler Corporation, we here in Illinois should demand no less of our state budget.

# FORWARD

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The Tooling and Manufacturing Association (TMA) is pleased to present the following report outlining recommendations that the members of Illinois' 96<sup>th</sup> General Assembly must consider to repair the state's budget while fostering an economic climate allowing for job protection and creation to occur in its manufacturing sector. The TMA understands that some of the recommendations contained in the document may seem unattainable under ordinary circumstances, however Illinois state budget crisis is anything but ordinary. It is with this thought in mind that the TMA Government Relations Committee puts forth this report with the hope that our legislators, executive officials and their respective staffs will discuss the merits of each recommendation.

The current economic crisis has been hard felt by the Illinois manufacturing community, which must be able to compete in a global market place as well as within the Illinois market place. Manufacturing in this state has continued to see job loss some of which is a direct result of policies, which make it impossible to compete from both Springfield and Washington.

Illinois has been one of the country's centers for manufacturing for many years. Most elected officials can quickly rattle off the names of some of our nation's big names in manufacturing such as Caterpillar, Deere and Abbott Laboratories to name just a few. Illinois is also home to thousands of smaller manufacturing companies that are located across the state and that supply the global market place with the special tooling, components, and subassemblies needed to build everything from tractors and automobiles to electrical connectors and medical devices. You will find these companies not only provide good paying jobs to highly skilled workers across Illinois but they also sponsor educational competitions in local schools and sports teams.

Since 1925 when the TMA was founded by eight small manufacturing companies, the association has worked to help its members grow and prosper. As Illinois' Premier Full Service Manufacturing Association the TMA advocates on behalf of its over 1,200 manufacturing and supplier members for pro-job, pro-growth, pro-manufacturing public policy. In addition it offers members unique training opportunities, lead generation assistance and employee benefit solutions. The association is headquartered in Park Ridge, Illinois and is governed by a Board of Directors composed of executives from member companies, currently chaired by Ms. Carol Klingler-Ebel President and majority owner of Janler Corporation located in Chicago. Bruce Braker serves as TMA President, with Brian P. McGuire serving as the association's Executive Vice President.

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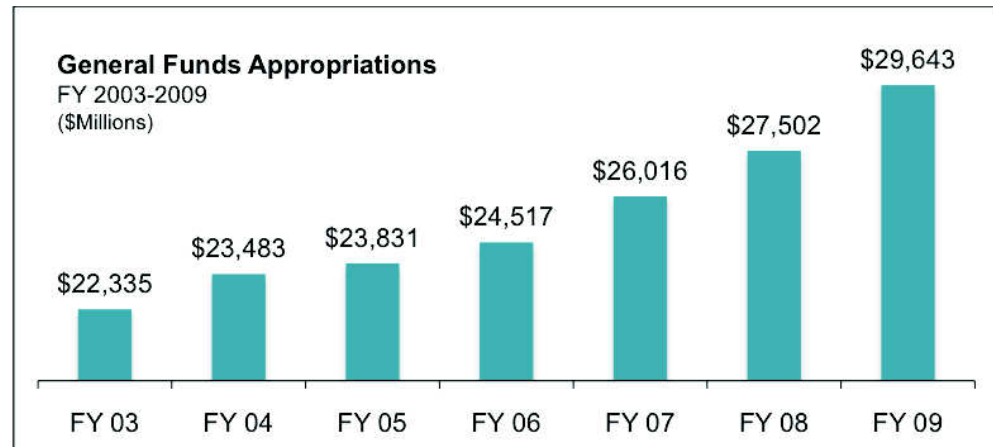
# INTRODUCTION

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When you find yourself in a hole and can't get out, the first thing to do is to stop digging. Unfortunately, that's a lesson we've not yet learned in Illinois.

Since the first Blagojevich budget, the Illinois General Assembly has permitted the Governor to keep digging Illinois into an ever-deeper fiscal hole. For at least five budgets in a row, state government has spent more money annually than it received in tax revenues and federal aid. Despite the Illinois Constitution's balanced budget requirement, the General Assembly collaborated in creating the budget situation and must work with the new Governor in addressing the problems.

But regardless of how we got here, the first step to recovery is making sure we don't make the problem worse. If the last five years have proved anything, it's that uncontrolled spending growth on un-reviewed and unreformed government programs make problems worse, not better.



Therefore, responsible legislators must insist on stopping the growth of spending; and insist on a comprehensive review of all state government program expenditures, while rolling back the over-reaches of past administrations.

Companies, organizations, families, and individuals are all re-evaluating their own spending; Illinois citizens deserve and expect no less. It is not credible that multi-million dollar school districts cannot reduce their spending in this financial crisis. It is indefensible that the medical community argues that cost growth at twice the rate of inflation for the last 10 years is not interruptible. It is unacceptable for legislative leaders not to permit, encourage and in fact require a comprehensive evaluation of state program spending. And it is manifestly irresponsible for state legislators not to act to reform Illinois' unsustainable pension system.

The following pages contain a series of reforms the Illinois General Assembly should consider as it contemplates the budget.

# SUGGESTED REFORMS

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## PROCEDURE

During the last five years many of the designed checks and balances have failed to prevent several unconstitutionally unbalanced budgets in succession. Legislators should insist that there be legislative procedural/process changes to correct these problems and help prevent their reoccurrence.

Consideration of these reforms is critical to empower individual legislators in budget deliberations and begin the process of restoring public trust. Procedural reforms to consider are:

- 1) Introduction and passage of a binding budget resolution before consideration of appropriation bills. This resolution would establish the state revenue plan separate from the spending plan and prevent last minute “revenue enhancements” that have resulted in legislators being misled about whether the budget is balanced or not. Such a resolution would establish an upper limit to the total spending of appropriation bills and thereby prevent budget abuses.
- 2) Separation of the final budget into a minimum of five separate legislative bills covering the major areas of state spending, (i.e. Education, Medicaid, Transportation, Human Services, Corrections, and General Government). The use of omnibus spending bills has proven to be a dismal failure over the last five years, and has prevented individual legislators from affecting spending policy.
- 3) Reestablishment by the legislature of comprehensive public hearings on major program spending. The recent practice of treating appropriations hearings in regular two hour hearing blocks has handicapped the public and rank-and-file member’s influence over the budget process. Regardless of the time necessary, legislative leadership needs to organize and support a reformed hearing process to restore public trust.
- 4) Swearing in of administrative agency and executive branch witnesses, before appropriations testimony. The current fiscal crisis could perhaps have been mitigated or prevented if testimony offered about the budget were subject to perjury charges. Misleading information and half-truths have already cost Illinois taxpayers billions of dollars. This must end.
- 5) Establishment, by legislators, of reasonable rules for debate of state budget appropriations bills. Turning off microphones, cutting off legislators in mid-debate, limiting chamber consideration to a couple of hours, and limiting the number of constitutionally elected legislators permitted to speak, has undermined both the public’s and elected member’s trust in the process.
- 6) Elimination of the pay differential between assistant leaders and committee chairs/spokesmen needs to be considered. For more than 20 years public money has been used to enforce legislative leader’s discipline. There is no significant difference in duties and the differential in pay should end.
- 7) Reform of the statutes governing the Senate President and Speaker of the House should be debated. These legislative officers have a complex and crucial role to play in providing checks and balances on the executive branch. Illinois should consider the practices of other states and at a minimum consider:
  - Requiring exclusive employment for both Presiding Officers, and paying them on par with an Illinois Supreme Court Justice.
  - Separating the roles of partisan caucus leadership from the Presiding Officer.

- Requiring the Senate President and Speaker of the House to certify that the state budget appropriations bills constitute a balanced budget.

## STATE EMPLOYMENT

Although state employee headcount is down over the last five years, Illinois is in a crisis and the legislature needs to act immediately to avoid any growth in salary costs when Illinois is effectively bankrupt.

State employment reforms to consider are:

- 1) Implementation of an immediate statewide hiring freeze by statute, to be waived only by the Governor's signature.
- 2) Implementation of an immediate promotion freeze by statute, again to be waived only by signature of the Governor.

Opponents of hiring and promotion freezes will argue that Illinois' state employment has already been cut to the bone. The well-worn argument is that Illinois has one of the lowest proportions of state workers to residents in the country – ergo Illinois is already efficient.

However, most large states like Illinois (e.g. Texas, California, Florida, and New York) have a lower proportion of state employees to residents. While smaller states have a greater proportion. In fact, the state with the highest proportion of state workers to citizens is Connecticut. Thus the argument is one of population size, not proportionality or efficiency.

Fact is the present economic crisis presents an opportunity to review programs, focus on core competencies, and determine how to do more with less. A hiring and promotion freeze would be a start.

## STATE PENSIONS

After years of discussion and stonewalling by affected employee groups the time to act on state pensions is now. For the last 15 years efforts to put the current pension system on a sustainable financial footing have been undercut, suppressed, and manipulated. From failed pension bonding schemes to ignored statutory funding laws to benefit enhancements to insufficient annual appropriations, Illinois' record on pension stewardship has been an embarrassment.

It's no secret that state pensioners receive more generous benefits than their peers in the private sector. Traditionally, the argument on behalf of this state of affairs has been that state employees make less than their private sector peers and in competition for talent the state needed more generous benefits to attract workers. Last year, however, the administration negotiated a 15.2 percent pay raise with no adjustment to health benefits for retirees or any other concessions to taxpayers. Public employees tend to be better paid with greater access to more lucrative benefit packages than their counterparts in the private sector. This undermines the argument of the poor underfunded public servant.

Legislators must insist that pension reform and pension funding is a part of this year's budget. The current market crisis should put every legislator on clear notice that our pension problem is not going to go away by itself. Within the constraints of the Illinois Constitution's "non-diminishment" clause, the legislature needs to act.

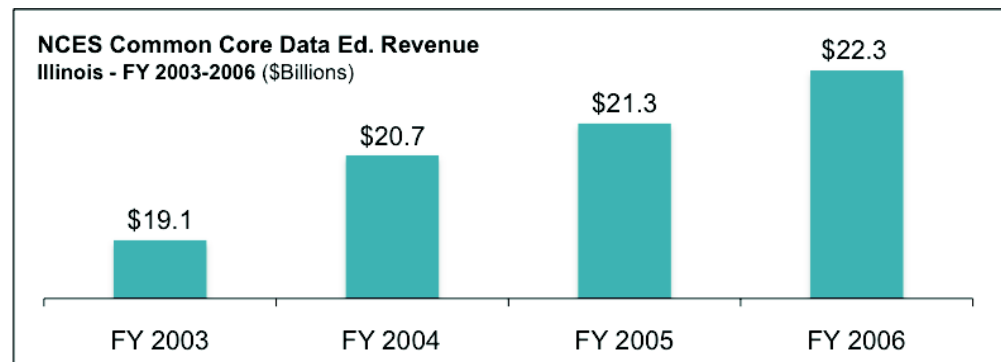
State pension reforms to consider are:

- 1) Pass a "pension cap". Choose a reasonable number, say \$100,000.00 annual salary and cap all future pensions at that level with an inflation adjustment. Cap anyone currently above this cap at his or her current pay. This is not a diminishment.
- 2) Suspend the current pension accrual system (all five state systems), and replace it for all future employees with the equivalent of a 401K plan, or a bifurcated plan, ½ 401K and 1/2 base-line defined benefit with a lower cap, say \$50,000.00 annual salary.
- 3) Increase employee contributions to the systems to the extent allowable.
- 4) Statutorily prohibit any pension benefit increase that is not fully funded when granted.
- 5) Raise the retirement age to 67, the same as social security.

## K-12 EDUCATION

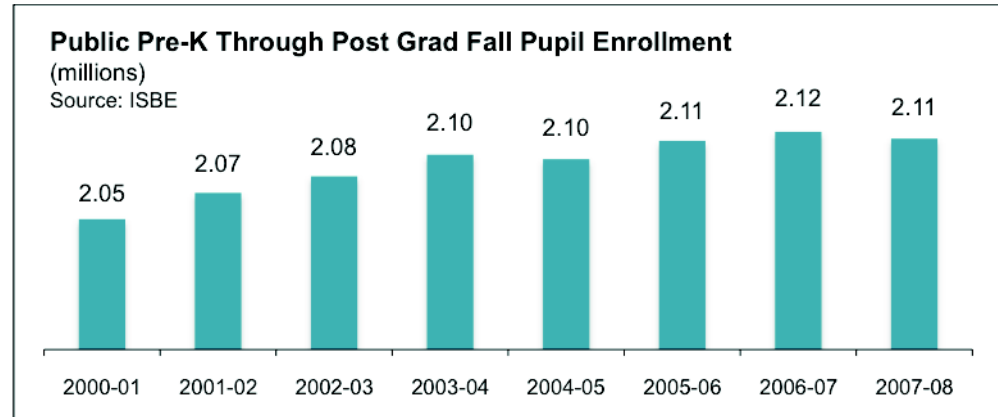
Illinois' primary and secondary education spending has been growing at nearly double the rate of inflation for the last decade – at a time when the student population is flattening. While resources have soared, (150% since 1990) classroom results have remained depressingly consistent (Illinois' ACT scores rank 41<sup>st</sup> in the US). Employers continue to voice frustration about the "job readiness" of our high school graduates and our system's focus on college for all as a goal at the expense of basic skills currently in demand in the job market.

More than 50% of K-12 funding comes from stressed local property taxpayers with the balance a mix of federal and state education aid. During recessions, private sector organizations work to reorganize and reinvent themselves. They embrace change. In fact most recoveries are, in large part, fueled by the increased productivity and reduced costs that reorganization delivers.



It is crucial for the success of the next generation of Illinoisans that we stop shielding public schools from fundamental change and reform. Honest legislators need to recognize that spending alone is not a reasoned measure of school success. Legislators need to free education leadership to reorganize our K-12 schools around the principle of the *student first*. Increased spending and a school

code dedicated to the rights of adult educators, masks deep-rooted problems in our schools and prevents innovation and reform.



Americans expect General Motors and Chrysler to change what they build, and how they build it. Our children's future is even more important. We should be committed to the same insistence on fundamental change, management accountability, and progress in output improvement.

State K-12 education reforms to consider are:

- 1) Set a state-wide guideline per-pupil spending cap, regardless of the source of funding. Reduce state contributions, including categorical grants to limit school district spending, to the capped level.
- 2) Phase out the average daily attendance state aid funding model and replace it with funding based on enrolled students completing the school year at grade level.
- 3) Repeal state education mandates, rules, and procedures. Replace them with reasoned statements of goals.
- 4) Repeal the physical education mandate and replace it with a statement of goals for fitness.
- 5) Eliminate all State Board of Education grant programs for the next fiscal year.
- 6) Roll back all non-pension K-12 funding to FY 2007 level.

## HIGHER EDUCATION

No longer is American higher education primarily focused on the education of undergraduates. Colleges and universities across the US now seem to care more about professorial prerogatives than they do about educating students. Higher education promotes professors out of classrooms and values publication and research more highly than effective teaching.

These institutions have allowed the interests of the faculties and administrations to trump the interests of students and society as a whole. The Illinois Board of Higher Education admits that average teaching loads for full professors continues to decline and the time to graduation for students continues to rise.

Regardless of the general trend in America's colleges and universities, Illinois state legislators can insist that our state universities and community colleges refocus on

their primary mission of delivering high quality, affordable undergraduate education. University leadership must be challenged to increase efficiencies in these difficult times. Professors should be relieved of administrative work, committee work, and publication requirements; and should be encouraged and rewarded for increasing teaching quality and time. Illinois families should not be subsidizing the cost of graduate education and “questionable” research with their tuition and tax dollars.

Illinois legislators and parents have the right to expect students to be encouraged to carry full academic loads and graduate in a four-year time span. State Universities must focus on graduating traditional students consistently in four years.

Additionally, Illinois legislators need to adopt metrics to reward our state schools for delivering and improving undergraduate education.

State higher education reforms to consider are:

- 1) Suspend all tuition waiver programs (legislative and university administration).
- 2) Suspend all sabbatical leaves for the next fiscal year.
- 3) Require all state universities to report on the average teaching load of faculty.
- 4) Require all state universities to report on average class load carried by traditional students.
- 5) Require state universities to present funding request for FY 2010 that account for average traditional student class loads of 15 hours and average professorial teaching loads of 15 hours per week for FY 2010.
- 6) Suspend the current campus funding formula, and replace it with one that rewards improved efficiencies.
- 7) Suspend all Board of Higher Education discretionary grant programs for FY 2010.
- 8) Roll back all non-pension, Higher Education appropriations to FY 2007.

## **MEDICAID**

Illinois' current Medicaid reimbursement program is based on a DRG (diagnosis related group) system originally developed by the federal government in the 1980s for its geriatric Medicare population. Since the Medicaid population is overwhelmingly young, the reimbursement rates have been overlaid by a series of adjustments that attempt to correct for 25 years of problems. This system of reimbursement continues to distort the shape and structure of the Illinois healthcare delivery system, and fails to provide adequate and appropriate healthcare services.

One only has to notice the number of new hospitals under construction – and the expansion of some specialized care (e.g. cardiac) facilities – to recognize that some hospitals are doing very well, while others that respond to the demand for OB/GYN services and outpatient treatment of chronic conditions (e.g. asthma), are struggling to stay open. Legislators need to ask frank and probing questions about the current rate structure.

In addition to the poorly designed systems and incentives that punish providers for providing the majority of Medicaid services, the budget has been strained by

misguided attempts to expand the program without reforming its structures. From 2003 to 2005 Illinois' Medicaid enrollees have increased by 60% with concomitant increases of spending of 8% per year. Under the Blagojevich Administration most of the spending came from borrowing and not paying its bills. The previous Administration's focus on expanding state healthcare benefits to middle class families (FamilyCare) has done an injustice to the poor and disabled population that Medicaid was intended to serve. Inadequate reimbursement levels and outrageously slow payments to providers have created an access and quality of care crisis in our Medicaid program.

State Medicaid reforms to consider are:

- 1) Rollback eligibility to level prior to illegal actions taken by Governor Blagojevich.
- 2) Begin immediate re-qualification program for Medicaid participants requiring proof of income and reasonable asset test – to be completed in 12 months.
- 3) Convene immediate rate review with the participation of hospital leaders and private third party healthcare payers to reform the current rate structure.
- 4) Suspend as of 6/30/09 all disproportionate share funding (DISH payments) and special rate rules while requiring re-submittal by Medicaid director with justifications.
- 5) Suspend all discretionary grant programs related to hospitals and Medicaid.
- 6) Require a full accounting of the line items grouped as "Other Related Medicaid Services" (slush fund for department).
- 7) Fully implement the 2004 law regarding hospital cost and quality transparency (PA93-144). Posting of healthcare pricing and indicators of quality care helps consumers to be better purchasers of healthcare services and products and creates a more competitive marketplace.
- 8) Eliminate the Health Facilities Planning Board that hinders competition and protects vested interests at the expense of taxpayers and the consumers.

## COURTS

All branches of government need to review their use of public money and do what they can to lower their costs. In these extraordinary times, legislators need to ask the Supreme Court to review their budget and make suggestions that will help save money.

State court reforms to consider are:

- 1) A review of the need for two separate chambers for the Illinois Supreme Court. Historically there may have been a need for the court to sit in both Springfield and Chicago. However, with electronic communication and modern transportation that time is past. The reduction in security, office costs, staffing and supplies could be significant.
- 2) Another hold over from the past is the practice of providing food service and lodging at several of our Appellate Courthouses. This was in response to the long travel times and extended court sessions of the past. As a practical matter, much appellate work is done with electronically shared documents and conference calls. The savings might be substantial if lodging and food services were discontinued.
- 3) In a state that elects members to the judiciary, judges come to the court system with diverse skills and work habits. The legislature should request that the Supreme Court make recommendations for changes in judicial pay statutes to give presiding judges the

tools they need to motivate judicial productivity. There are currently almost no tools a presiding judge can use to either discipline or reward judicial behavior.

## STATE PROGRAM EFFICIENCY

In an audit released in November of 2007, Auditor General William Holland found that what Illinois state government “does” remains a mystery to Illinois state government. After finding approximately 1,750 different state programs, reported that, *“Our study concluded that the State does not have a comprehensive, consistent inventory of State programs.”*

In fact, according to the report, *“The actual number of programs is likely higher given that some agencies reported programs to us at an aggregate level. In comparison, 69 agencies reported 252 broad **categories** {emphasis his} of programs (e.g., human services, education, public safety) for the comptroller’s Public Accountability Report which is prepared for a different purpose.”*

It’s important to note that Holland’s analysis only reported on duplicative programs in separate agencies and did not report on potential duplicative programs within state agencies.

The Auditor General also examined 50 programs that his office believed could be consolidated. In almost every case, officials insisted their program was special and could not be combined with any others.

Rationales cited for a lack of consolidation revolved around different roles and missions, technical assistance versus financial assistance, or consultative versus regulatory roles.

State program reforms to consider are:

- 1) The state legislature should engage in a comprehensive review of all state programs and determine what is duplicative, what does and doesn’t work, and take action to trim these programs accordingly.
- 2) Make greater use of incentive programs for government employees. This can include enhanced suggestion programs, merit pay, and performance-based contracts. State employees who find ways to save taxpayer dollars should receive a financial reward for their efforts. Program funding should be tied to a program’s success at meeting its intended needs. Programs that don’t measure up should be cut or eliminated.
- 3) Consider a permanent legislative agency similar to the non-partisan Texas Performance Review (TRP) that focuses on program effectiveness and efficiencies. The TPR has saved Texas more than \$13 billion dollar since its inception in 1991.

## CAPITAL CONTRACTING

Nationally, less than 20% of construction workers are unionized. Illinois’ current practice of requiring project labor agreements (Blagojevich Executive Order 13) effectively means that workers and companies that choose not to sign a union contract are prohibited from bidding for state construction projects. For competitive bidding to deliver the best price and value in a corruption free process Illinois must open its construction bidding to all qualified bidders.

It is wrong to tax non-union construction workers and then prohibit them from publicly bidding to do state work. Limiting the number of companies permitted to bid on state work results in less competition, higher prices, and delays in completion when there is a large-scale capital program.

Nationally, prevailing wage laws have been estimated to add 25% to labor costs on a construction projects. Under Gov. Blagojevich the prevailing wage laws were expanded to include construction repairs – a labor-intensive process in which up to 70% of the cost is labor. At a time when local government and school districts are struggling, it seems reasonable for the state to allow locally elected officials to determine whether to bid construction free from prevailing wages rules or not.

State capital contracting reforms to consider are:

- 1) Immediately overturn the Blagojevich Executive Order 13 requiring project labor agreements for public construction projects.
- 2) Exempt school districts and local units of government from the Illinois Prevailing Wage Law.
- 3) End prevailing wage requirements for repair work.

# SETTING THE STATE FOR RECOVERY

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A critical component to balancing the budget for the long term and sustaining growth for the future is creating an economic climate that attracts investment. When the economy turns the corner and returns to productivity, Illinois must be poised to take advantage of the improved environment by addressing the issues that lead to job creation. Sustained job growth means revenue growth for the state.

## **JOB TRAINING**

One of the best economic development tools the state of Illinois provides is the Department of Commerce and Economic Opportunity's Employer Training Investment Program (ETIP) grant. Unfortunately, this highly successful investment of taxpayer dollars has been slashed by nearly two-thirds in the last two years.

ETIP helps keep Illinois workers' skills on pace with new technologies and business practices, which, in turn, helps businesses increase productivity, reduce costs, improve quality, and boost competitiveness. In FY08, the ETIP program provided 69,000 industrial-sector workers job-training skills that allow them to compete in today's global economy. In the past four years, more than 310,000 workers have benefited from Illinois' job training program. Workers in nearly every county in Illinois have benefited from this program in the very recent past.

For FY 2008, the ETIP appropriation was \$17,492,600. For FY 2009 the General Assembly approved \$12,492,600, a \$5 million reduction. Former Governor Blagojevich's item reduction veto reduced the FY 2009 appropriation by half to \$6,246,300. A supplemental FY 2009 appropriation to increase ETIP funding to \$12,492,600 and a FY 2010 budget of \$25 million is needed.

## **HEALTHCARE FOR ILLINOIS BUSINESSES**

Health care costs are a prime concern to Illinois manufacturers. The private sector is better suited to provide health care than the public sector, both from a quality and cost standpoint. The ever-increasing number of uninsured Americans can be directly attributed to the number of legislative mandates that drive up costs. In fact, estimates have shown that Illinois Insurance Code mandates account for over 20 percent of the cost of health insurance. Health care mandates burden small and medium-sized companies in particular.

As medical providers and specific disease interest groups quest to have more of their products and services covered by health insurance, increased health benefit costs have forced employers to increase co-pays and deductibles or drop their employees' health care coverage altogether. During these difficult economic times, it is counterproductive for state government to add onto the cost of providing healthcare benefits for manufacturers. The General Assembly must hold the line on

healthcare mandates by imposing a two-year moratorium on enacting any new mandates.

## **WORKERS' COMPENSATION**

Employers in general, and manufacturers in particular, are impacted by workers' compensation. With higher paid wages and higher rate classifications, workers' compensation takes a bigger bite out of a manufacturer's cost of doing business.

Illinois lags behind the rest of the nation in reducing workers' compensation costs to employers. The negotiations that led to the 2005 workers' compensation changes were intended to decrease costs for employers. However, the reality is that since 2006 a total average increase in Illinois workers' compensation rates of 16.4% has occurred. During the same period, average rates in 37 other states decreased 14.9%. In recent rate filings, 30 states saw average rate reductions while Illinois joined only seven other states that had an average recommended rate increase.

A 2008 analysis by Actuarial & Technical Solutions, Inc. indicated that Illinois had the highest jump in ranking of workers' compensation costs during the past year. The comparative costs in each of 45 states were ranked from 1 to 45 with "1" indicating the state with the lowest relative workers' compensation cost. In 2007, Illinois was ranked 31. In 2008, that ranking went to 38.

The Oregon Department of Commerce & Business Services provides a biannual "Premium Rate Ranking". In 2008, Illinois' index rate of 2.79 placed our state as 11<sup>th</sup> highest of 51 jurisdictions. The previous study in 2006 placed Illinois at 21<sup>st</sup> highest. That's a big jump in the wrong direction when trying to retain and create jobs in Illinois. To address this, we urge Governor Quinn to convene agreed bill discussions between businesses and labor as soon as possible.

## **TAX POLICY FOR MANUFACTURERS**

A healthy tax climate is a key ingredient in keeping Illinois manufacturers competitive and productive. It is our belief that lowering tax rates and expanding the base on which taxes are applied is the best way to finance government. In addition, it is our belief that the taxation of inputs into the manufacturing process and then taxing the final product is a form of double taxation that must stop. We recommend that Illinois make a commitment to manufacturers that current credits and exemptions are valuable incentives that contribute to job growth and retention. The two that are set to expire this year should therefore be renewed and other current tax incentives must be retained. To that end, lawmakers must pass this session:

- 1) HB23 (Turner-Flider-Leitch-Feigenholtz-Tryon and 17 co-sponsors) extends the sunset on the Manufacturing Purchase Credit (MPC) and the sales and use tax exemption for graphic arts machinery and equipment.
- 2) An expansion of the manufacturing machinery and equipment sales and use tax exemption to 100% for purchases of production related tangible personal property.

# CONCLUSION

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The critical point of the preceding pages is that before any discussion of any tax increases, or any re-making of the tax structure, serious reforms need to be undertaken by the General Assembly.

A struggling economy has forced families throughout the state to tighten their belts and there is no reason to believe that state government cannot do the same. The state has tried spending its way out of its fiscal and economic problems only to have made matters worse. Clearly, it is time to stop digging.

A recent online poll by John Zogby found that 55 percent of Illinois' likely voters are against any tax increases. Given that questions surrounding tax increases and tax cuts underreport opposition to increases as well as support for tax cuts, elected officials should be on notice that tax increases are a non starter both as a matter of policy and politics.

Illinois legislators must insist, and the legislative leadership must endorse, a comprehensive review of state programs and provide the people of Illinois a responsible state-spending blueprint that finally reins in years of fiscal mismanagement.