



Office of the Governor
JB Pritzker

FY21 Budget Address

February 19, 2020

*** EMBARGOED UNTIL DELIVERY ***

Speaker Madigan, President Harmon, Leader Durkin, Leader Brady, Lieutenant Governor Stratton, my fellow Constitutional Officers, Honorable Members of the General Assembly, the incomparable First Lady MK, distinguished guests and people of Illinois –

My friends, not long ago I shared with you news of our state's progress over the last year and my genuine confidence that our future is bright and that Illinois is growing stronger each day.

I know I have a reputation for being a bit of an irrepressible optimist – something somewhat unusual among those who have held this job recently – but I believe that the cynics had their years in power and that the people of Illinois suffered because of them.

Being a cynic is easy.

Cynicism, after all, demands only that you believe in the worst and do nothing to stop it from happening.

It's optimism that's hard. Because optimism demands hope, and patience, and faith...and most importantly, action.

Last year we began turning our ship of state in the right direction. Today we have the lowest unemployment rate in our history. We gave pay raises to working people. And once again we began attracting more students who want to go to college here, because we made college more affordable.

Our resurgence has been fueled by the very source of our historic resilience: the fundamental strength and goodness of our people, who demonstrate time and again that they can overcome any challenge that comes their way.

Never bet against that.

Before I took office, we had two long years without a state budget, longer than any other state in U.S. history. It nearly destroyed the lives of the most vulnerable children and families in Illinois, and it left all of us with billions of dollars in unpaid bills. It forced us to figure out how we would rebuild mental health care and schools and universities and how we would attract job creators and give working families a fighting chance.

And we did start to figure it out. Last year Republicans and Democrats alike rolled up our sleeves, worked out our differences and produced a bipartisan, balanced budget that has begun to put our state back on a sound fiscal path.

FINANCIAL IMPROVEMENTS

We've taken enormous strides forward to undo years of financial mismanagement.

For example, the state entered 2019 with almost \$8 billion in unpaid bills. But a year later, responsible fiscal management has reduced that bill backlog by nearly \$1 billion. Our late payment penalties, which had reached \$950 million before I became governor, will fall to just over \$100 million this fiscal year. In this regard I want to praise the tremendous efforts of our Comptroller Susana Mendoza and our Treasurer Michael Frerichs – who have been tireless advocates on behalf of getting our fiscal house in order.

From 2015 to 2017, credit rating agencies downgraded our state's credit 8 times, which means Illinois taxpayers were paying higher interest rates. But this year, rating agencies and analysts have noted a "distinct improvement" in our fiscal stability, and interest rates on our bonds have tumbled to their lowest rate since 2013. That will save tens of millions of dollars for taxpayers.

Greater fiscal stability, fewer unpaid bills, lower interest payments — these are all monumental achievements in light of our state's fiscal condition just 13 months ago. How are we doing it? Most of these advances are attributable to a disciplined approach to managing our state's limited resources responsibly, and it's important that we continue that hard work in the years ahead. The budget I propose to you today will build on the steady progress we've been making over the last year.

Our choices remain hard; our financial situation challenging.

In the context of the past devastation wreaked upon our state, the proposal I share today takes a disciplined approach to managing our limited resources while also investing in the very efforts that will make our state stronger: better schools, greater public safety, more job creating businesses, improved care for our most vulnerable children and seniors.

After years of poor fiscal management, of past leaders lying about how we got here, of scapegoating the wrong people and problems – our constituents deserve some honesty.

No amount of wishful thinking will wave away our structural deficit or our pension obligations. No amount of lip service will balance the budget or fund our schools or improve public safety.

I want to give you one stark example of why a change in approach was so desperately needed. Bruce Rauner went to war with labor unions, and one consequence of that was millions of dollars in costs for the state due to litigation and back pay. In contrast, when I came into office I negotiated substantial health care savings and finalized fair contracts with state workers. As a result, the upcoming fiscal year's budget will spend \$175 million less, and we will save \$650 million over 4 years.

Lowering the wages of workers, trying to bankrupt the state and seeking to destroy government ... didn't work.

Also, trying to separate Chicago from the rest of Illinois, whether rhetorically or literally, will not solve the economic challenges of downstate Illinois. Quite the opposite. Some of you need to stop pretending that one part of Illinois can exist without all the others. We are ... one Illinois.

There are realities about running a state and caring for our people that we have to face with more clear-eyed resolve, with a focus on unity and far less partisanship. Our future genuinely does depend on it.

EFFICIENCIES

Once again this year, I approached this budget looking to use taxpayer dollars as efficiently as possible. I'm pleased to say that this proposed budget saves taxpayers more than \$225 million annually and more than \$750 million over three years through operational efficiencies, possible agency consolidations, and the elimination of excess boards and commissions. And there is potentially \$100 million more in additional structural savings in fiscal year 2022 and beyond through long term initiatives.

I believe that we are sent here to effectively manage the resources necessary to deliver what Illinois families need: good schools and healthcare, clean water and clean air, paved roads and sturdy bridges, a growing economy.

Let's all agree that effective government demands efficient government.

BUDGET STABILIZATION

As we continue to make progress repairing the financial damage of the past, we must begin restoring safeguards for our future. It starts by building up reserves in our Budget Stabilization Fund, more commonly referred to as the Rainy Day Fund. It's been more than a decade since the last contribution was made to the Rainy Day Fund, and it was almost entirely wiped out in 2017 under my predecessor.

The budget I am introducing today begins to restore it, dedicating \$100 million to the Rainy Day Fund over the next 16 months. In addition, in concert with Senator Heather Steans, who is one of the General Assembly's most responsible budgeteers, Comptroller Susana Mendoza recently proposed legislation that will create mandatory annual contributions to the Rainy Day Fund – a great step to improve fiscal protection for Illinois' future.

CREATING JOBS AND REVENUE

Here's another responsible step we're taking together: Last year we worked on a bipartisan basis to pass a new source of general funds revenue and create tens of thousands of jobs with the legalization of adult-use cannabis. Our first focus was on making this law the most socially equitable in the nation. That's why 25 percent of revenues are earmarked to reinvest directly in the communities most severely impacted by the war on cannabis.

Licensing fees from the first round of medical dispensaries have already provided a \$30 million loan fund so that social equity applicants have access to capital to start new cannabis related businesses – a program that doesn't exist in any other state at this scale. And I pardoned more than 11,000 individuals with low-level cannabis convictions. That's just the beginning of our effort to remove barriers to housing, employment and education for hundreds of thousands of people.

With a successful first month of sales under our belt, I can conservatively project that adult-use cannabis sales will generate at least \$46 million in revenue for our general fund in the coming fiscal year, of which \$10 million will go directly to pay down our bill backlog.

A second new source of revenue we passed last year is from expanded gaming – including sports betting, which appears on track to be up and running in time for March Madness. As you know, gaming revenue directly funds our bipartisan, historic Rebuild Illinois capital plan which provides critical relief to state and local budgets for badly needed maintenance and construction work at our universities, community colleges and state facilities.

My office is working with the City of Chicago and the General Assembly to make a much needed adjustment in the legislation passed last spring to help make sure the Chicago casino is a success that will help fund projects throughout our state. I hope you all will join me in supporting these legislative efforts when they come before the General Assembly this session.

A BRIDGE TO FAIRNESS FOR ALL ILLINOISANS

Most importantly, this budget represents a bridge to the future, where I believe we have an opportunity to change our tax structure so working families are treated more fairly.

For at least the last 50 years, the burden of shoring up our state finances has fallen hardest on the 97 percent of Illinoisans who make \$250,000 a year or less. You've been paying a higher portion of your income, when you include income taxes, property taxes and sales taxes, than those who make a million dollars a year or more! That's not fair, and I've made it very clear that I believe it's time for a change.

Last year, this General Assembly took an important step forward, and passed income tax rates so that working class and middle-class families will pay a lower rate and wealthy people will pay a higher rate. I believe this is far more fair than the flat tax rate we have today. These rates would go into effect only if Illinois removes the constitutional prohibition on a graduated tax, a decision that will be made by voters in November. If the constitutional amendment is passed, those rates will go into effect Jan. 1, 2021 – midway through our budget year.

As your governor, I take seriously my constitutional duty to offer a balanced budget that lives within our means as a state, whatever may transpire. To address the uncertainty in our revenues, this budget responsibly holds roughly \$1.4 billion in reserve until we know the outcome in November. Because this reserve is so large, it inevitably cuts into some of the things that we all hold most dear: increased funding for K-12 education, universities and community colleges, public safety and other key investments – but as important as these investments are, we cannot responsibly spend for these priorities until we know with certainty what the state's revenue picture will be.

Even if the graduated income tax does not take effect, our budget nevertheless continues our progress, although at a much slower pace than I think we require to get ourselves out of the hole previous administrations have dug for us. And if the graduated tax rates do take effect, this budget proposal takes major steps to stabilize our fiscal condition and build on the historic investments and improvements we've made across the board to better serve the people of our state.

PENSIONS

One of Illinois' most intractable problems is the underfunding of our pension systems.

We must keep our promises to the retirees who earned their pension benefits and forge a realistic path forward to meet those obligations.

The fantasy of a constitutional amendment to cut retirees' benefits is just that – a fantasy. The idea that all of this can be fixed with a single silver bullet ignores the protracted legal battle that will ultimately run headlong into the Contracts Clause of the U.S. Constitution. You will spend years in that protracted legal battle, and when you're done, you will have simply kicked the can down the road, made another broken promise to taxpayers, and left them with higher tax bills.

This is not a political football. This is a financial issue that is complex and requires consistency and persistence to manage, with the goal of paying the pensions that are owed.

That's why my budget delivers on our full pension payment and then some, with \$100 million from the proceeds of the graduated income tax dedicated directly to paying down our pension debt more quickly. We should double that number in subsequent years. Next year would be the first year in state history that we will make a pension payment over and above what is required in statute. It begins to allow us to bend the cost curve and reduce our net pension liability faster.

At the same time, without breaking our promises, we must relentlessly pursue pension initiatives that reduce the burden on taxpayers. This year, the State's required payment to the State Employees Retirement System alone will be \$32 million less than it would've been without the optional pension buyout program. We extended that program last year – because it's good for taxpayers. That's why I've asked all of the state's retirement systems to fully implement buyout programs across all our systems.

What we do to reduce future net pension liabilities for our state and local pension plans has enormously positive benefits for taxpayers. Last year, working with members of this General Assembly, we did what no one had been able to do after more than 70 years of trying: consolidate the investments of the 650 local police and firefighters funds into two statewide systems. Because of their collective size, these funds are projected to see billions of dollars of improved returns over the next 20 years. That means lower property tax pressure on families and businesses across the state.

This is a great example of how both sides of the aisle can come together with reasonable solutions to address intractable problems. Let's continue on that path.

EDUCATION

Over the past year we have made great strides to improve our schools and build back our higher education system, and this budget continues those investments.

Higher Ed

For more than a decade, our state universities saw significant declines in enrollment. But today, because of the important investments we made in MAP grants and school funding, for the first time in many years, applications are up at our public universities – and some schools, including UIUC and Illinois State, are seeing an increase in applications not just from in-state students, but out-of-state too.

Investments in our universities are giving people and companies from all over America, and the world, new reasons to choose Illinois. Just last week, I announced that with the support of businesses and philanthropists, the state will invest in University of Illinois' new technology hub called Discovery Partners Institute. With it, we're supporting nearly 50,000 new economy jobs in the next ten years, with an economic impact of \$19 billion. Integral to DPI's success is the Illinois Innovation Network, which will radiate across the state to 15 other university campus hubs from Chicago to Rockford to

Peoria to Edwardsville. We're investing in workforce development, innovation and R&D all across our state.

DPI is already succeeding. Azriel Alvarado was born here in Illinois, and then moved to Panama with his parents when he was very young. He never lost his Illinois roots though, and dreamed of attending the University of Illinois at Urbana Champaign to study computer science.

Azriel set his sights on their world-renowned engineering program, moving home to Illinois to attend Oakton Community College and settle back into his life in the United States. After two years, he was accepted as a transfer student into the U of I engineering school and hasn't looked back. Azriel says most people don't imagine community college as the path to academic success. But he learned that the most popular way to do things isn't always the best way to do things. He's now studying as a DPI City Scholar and intends to set down roots and become a computer scientist here in Illinois.

Azriel is just one example of how investing in our state can attract and retain invaluable talent. Azriel is here today, and I'd ask him to stand so we can recognize your terrific achievements.

Making college more affordable for in-state high school students ought to be among our state's highest priorities. My budget proposal for next year aims to make community college tuition free to all MAP-eligible students whose families make under \$45,000 a year.

Today we have two students here whose families and communities will be stronger thanks to their hard work and our investments in MAP grants. They personify exactly why we need to set aside MAP funding especially for community college students. Lincoln Land Community College here in Springfield is lucky to count them among their student body.

When Lauren Hernandez was 12, her 6-year-old sister was diagnosed with cancer. After watching how hard the nurses worked to help her sister every day, she felt drawn to the healthcare profession. When her sister passed away a few years later, it cemented Lauren's conviction to become a nurse. Today, Lauren is married and the mother of a beautiful baby boy – and MAP grants are covering the portion of her tuition that she couldn't afford. She's the first person in her family to attend college. She's working overnight shifts at St. Francis Hospital. And she's why our future as a state is so bright. Please give Lauren a round of applause for her hard work and commitment.

I also want to introduce you all to Brandon Ihlenfeldt, who earned his GED at Lincoln Land and is in the final semester of his H-VAC program. He'll graduate this spring with a degree and the ability to do work that he loves. Brandon is also a husband and a father, and after a full day at work at Illinois National Bank and a full evening at school, he finds time to spend with his family. But he knows that an education is the key to being able to get a good job to support them. Without MAP grants, he would've had to take on loans and debt, with two young children. For Brandon, this is an opportunity he wouldn't have had otherwise; and it's an opportunity you all made possible by expanding the MAP grant program. Please give a round of applause to a great family man and a hard worker, Brandon Ihlenfeldt.

There is no more critical investment we can make in the future of our state than in our bright and ambitious young people, like Azriel, Lauren and Brandon.

So my budget proposal adds another 20,000 new scholarship students overall, on top of the 10,000 additional MAP grant and AIM High scholars you funded this year. And we will continue rebuilding our universities and community colleges with a 5 percent funding increase which, among other things,

allows the University of Illinois to provide free tuition for students whose families make less than \$67,000 per year.

K-12

Another way to make college more affordable is to help our students earn college credit before they even graduate high school, potentially savings thousands of dollars in tuition down the road.

Administrators and teachers across the state are engaged in this work — and it's making a difference at places like Fenton High School, a majority-minority high school in Chicago's western suburbs where most students qualify as low-income.

A few years ago, a snapshot of an Advanced Placement classroom at Fenton didn't look much like the actual student body. So Fenton's leadership began expanding their Advanced Placement program, and they now reach a third of the entire student body. Even more impressively: AP scores have gone up across all racial and ethnic groups.

In March, the College Board named Fenton "Advanced Placement District of the Year."

Fenton provided the opportunity for their students to achieve extraordinary success and to save thousands of dollars on their first year's tuition. We should follow Fenton's lead and make it easier for more students to earn college credit in high school. My budget proposal last year requested \$2 million to defray the cost of AP test fees for low income students, and you approved it. I'm making a request for FY21 of \$2.5 million. It's an innovative and cost-effective way to make college more affordable.

Speaking of removing financial barriers to college: 23 years ago our state launched an investment program that lured tens of thousands of Illinois families to invest early in their children's educations through the College Illinois program. The program's creators didn't forecast that tuition increases would outstrip market returns, and we find ourselves in a place today where the program will be insolvent in six years. We didn't create this problem — but we are charged with fixing it and rather than wait until the last minute, my budget puts a \$27 million down payment on solvency for College Illinois in FY21. It's time to make good on the existing contracts families signed up for and reassure them that their children's college tuition will be paid.

We all want our children to go to college prepared to succeed, and that means investing in public schools that serve all our students from their earliest days. This budget makes a historic investment in K-12 schools, with a new \$350 million of equitable funding, as Illinois continues down the path of ending our ignominious distinction as the worst state in the nation for state funding of public education.

This is not nearly enough to fund our schools properly and allow us to alleviate spiraling local property tax burdens throughout our state. But in a year dominated by limited resources and guided by prudent decisions about our state budget, this is the strongest investment we can afford to make today.

Funding isn't the only determinant of a healthy school. Great teachers make great schools. But we have thousands of unfilled teaching positions throughout Illinois. This budget invests in strengthening our future teacher pipeline with increased funding for the Illinois Golden Apple teacher preparation program and scholarships. I'm also proposing support for accelerator programs that help people who are seeking a second career in teaching to transition into the profession faster.

In addition, this budget seeks to address the mental health concerns that schools face with their students every day. I've directed our Emergency Management Agency, Board of Education and State Police to apply for federal grants to launch a statewide school violence prevention tip line, a highly effective concept pioneered in Colorado after the Columbine tragedy. And I've proposed state funding to supplement the federal grants and develop curriculum to change the culture of stigma and silence around mental health. Students, parents, teachers, friends, will be able to call in with real concerns about a child's wellbeing — possibly even about their survival. And a professional can check in on them. Here in Illinois, our tip line will be called Safe2Help Illinois, a confidential reporting program intended to be available via text, phone call, app, and social media platforms.

Early Childhood

Prioritizing our youngest Illinoisans offers the strongest return on investment for our future. Kindergarten is nearly too late to begin educating a child — social emotional development begins at birth, and a child's earliest interactions are the most important ones. That's why I'm determined to make Illinois the best state in the nation to raise young children.

When our families lack access to quality early childhood education and childcare, we all lose. I propose expanding our early childhood block grant funding by an additional \$50 million — not as much as I would like — but responsibly moving our state another step toward universal preschool for every low-income child.

This budget also allows us to move forward on my pledge to offer evidence-based home visiting services to all of our most at-risk families with very young children, a service that is proven to pay dividends in supporting parents.

For too many families, quality childcare has become prohibitively expensive. Low and middle income parents are those hit the hardest by a rise in child care costs that has not kept pace with wages. I'm proud to propose a continued expansion of the Child Care Assistance Program so that we can maximize federal funding to offer reduced co-pays for families of the children we serve and improve the quality of the care they receive. This will result in eligible families paying no more than 7 percent of their income for childcare.

HEALTH CARE AND HUMAN SERVICES

Since I took office, it's been a priority to provide health care that is accessible, preventative and equitable. For the second year in a row, I am proposing a substantial increase in mental health and addiction treatment services. This 2021 budget includes a \$40 million increase, funded in large part by revenues from the successful roll out of adult use cannabis, which dedicates 22 percent of cannabis taxes to these programs.

When I took office a year ago, we were handed an enormous Medicaid backlog of more than 140,000 people who had applied for health care coverage but whose applications were simply never reviewed. This includes newborns, families with young children and seniors entering nursing care at the end of their lives. People got sick and couldn't see a doctor. Some of the people on the list waited for more than a year.

That's unconscionable.

So my teams at HFS, DHS, and DoIT worked in a concerted, collaborative effort and have reduced the backlog by 70,000 people. That's healthcare coverage for a population the size of Decatur. There's

more to do, and we are committed to doing it. That's why this budget adds employees at the Department of Human Services, allowing them to help finish the job.

We also budgeted \$4.5 million to restore the vital health care navigator program that the Trump administration eliminated, leaving hundreds of thousands of families and employers without any assistance. This program helps small businesses and their employees and families lower their healthcare costs as they look for coverage options through the federal insurance marketplace.

Last year, we began restoring funding to the Home Delivered Meals program to reduce the existing waitlist and deliver proper nutrition to thousands more senior citizens. It's a program that improves quality of life and saves money in the long run through a reduction in chronic health problems. For the coming year, I've once again proposed an increase of \$2 million for the program. As Donald Trump continues to attack the safety net for seniors, my administration is doing everything we can to fight back.

Our Department of Public Health has been hard at work over the last year, restoring the federal immunization program that my predecessor closed down, which allowed us to beat back a potential outbreak of measles and other diseases across Illinois. And once again DPH has done outstanding work coordinating with Chicago health officials and the CDC in fighting coronavirus. Thanks to their collective good work, the risk to the public remains low.

I'm also particularly proud that this budget supports the necessary additional funding for DPH to maintain our current service levels for family planning and related health services—without caving to the Trump Administration's outrageous gag rule on women's reproductive rights.

Child Welfare (DCFS)

There's nowhere in state government that needs more attention and resources than the Department of Children and Family Services.

There are no overnight fixes for DCFS, no easy promises that can be made, no simple solutions for an agency that deals with some of our most complex societal problems.

There is an old saying that the best time to plant a tree was 20 years ago. And the second best time to plant a tree is today.

So we began planting trees last year by bringing in new DCFS leadership and outside expert advisors and monitors. Every staff person, from top to bottom is being retrained. New policies and procedures have been enacted, the hotline has deployed new technology and added staff.

We're moving forward with new ideas from experts that will transform the agency. Many of the most important reforms of DCFS that are being enacted were recommended by respected experts like Chapin Hall at the University of Chicago and Casey Family Programs. Outside contractors are also working with DCFS and DoIT to bring better technology to improve how cases are tracked and more prolific use of mobile technology for caseworkers to keep better records. After I heard from frontline workers a year ago that their jobs were harder because they couldn't test parents on-site for substance abuse, we started rolling out on-site drug testing again.

We have a nationally acclaimed simulation program with a training lab in Springfield and newer one in Chicago, both of which provide real-life scenario training for frontline workers. Case workers and investigators are being retrained in these simulations labs so they can learn new techniques to

manage difficult cases and investigations. Some of you have already visited these simulation labs, and I invite all of you to do so if you haven't – and you will see why I insisted that our FY21 budget allow DCFS to open a third simulation lab in southern Illinois.

Overall, this budget proposal for DCFS increases funding by 20% compared to what the state was spending in FY19. We will increase personnel numbers by nearly 150 new staff – that's on top of the 300 workers we added over the last year. This would represent an 11 percent staffing increase over the past two years. For the contracted agencies who carry out much of the work helping children and who struggle to retain staff because of the state's poor funding and payment delays, we are increasing funding by nearly 4 percent – only the third increase in 19 years.

One of the moral tests of government is how we treat our most vulnerable. The funding needs of DCFS should transcend party and partisanship and be a cause we can all rally around.

CLOSING

It's become something of a political sport in this state over the last several years to present our fiscal issues as insurmountable. I'm here to tell you, they are not.

Our budget challenges are hard, no doubt about it – but it's a myth to think they were ever easy. Our state has grown and changed so much over the years and the complexities of running our government have evolved with it. Our future will not be built on the shaky rhetorical foundation of those who keep rooting for us to fail.

Every decision we make about how we spend the money our citizens trust to our keeping is, at its root, a deeply moral undertaking.

These lines on a budget spreadsheet – they give peace to sleepless nights worrying about medical bills, they are delivery on a deferred dream, they stand between poverty and prosperity. A road that is properly repaired and maintained is a car accident that never happens. A strong education system is the slingshot to success allowing a child to thrive. Fully funding public safety means a life saved, a crime solved and a justice system that is more equitable and fair.

Every worry that we erase, every dream that we fund, every obstacle we remove is a small bit of happiness that we give back to our citizens. Sometimes we forget that in 2020.

We can add happiness back into people's lives. The pursuit of happiness is the real rhetorical and moral foundation of our government. The founders were optimists too, it turns out.

With that singular focus at the heart of all that we do, with an eye to our future and with prudence and responsibility as our guiding lights, I submit this budget proposal, and I urge the General Assembly to work with me in the pursuit of happiness for all Illinoisans.

Thank you.